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JUN 13 1963

C & R-PREP.

Prepared for

NATIONAL EDITORIAL ASSOCIATION

March 28, 1963

By the UNITED STATES DEPARTMENT OF AGRICULTURE WASHINGTON, D. C.

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WHEAT PROGRAMS

Background

Wheat accounts for all or part of the income on about half of our Nation's farms (last year, farmers grossed \$2.4 billion on wheat.) In many parts of the country, wheat is the main source of income. This means that rural towns also have a tremendous stake in wheat prosperity. Wheat -- especially in the Great Plains -- is subject to a great deal of risk. Farmers put thousands of dollars into their crops without knowing whether they will ever get anything back.

Since 1929, we have had Government programs to stabilize the wheat economy. The object has been to balance supply and demand while maintaining grower incomes. In the past decade, however, these programs have resulted in the accumulation of burdensome supplies -- due in part to rising yields within the confines of a 55-million acre minimum national allotment in effect since 1954.

Supplies have grown to the point where, each year before harvest begins, we already have enough wheat on hand to more than take care of a year's needs. Voluntary acreage reductions under the emergency programs of the past two years have brought some improvement. The carryover when the 1963 marketing year begins this July 1 will be nearly 200 million bushels below two years earlier. But, we will still carry over more than 1.2 billion bushels. More than 1 billion bushels will be Government owned.

Moreover, if it had not been for record exports (mostly under Government programs) we would have an even greater supply. Seventy percent of our wheat exports are Government-financed. And without Government financing, no class of wheat has an adequate dollar market.

The 1964 Wheat Program

Last year Congress moved to bring wheat supplies more nearly into balance -- by abolishing the 55-million acre minimum allotment and enacting a revised wheat program for 1964. The new program is subject to a two-thirds majority vote in a grower referendum to be held in late May. If the program is approved, market demand for wheat will be met primarily by wheat marketed by farmers from the 1964 crop, and in part, by wheat from government stocks. It will maintain farmers' income from wheat at the average of recent years. All growers with allotments -- including those under 15 acres -- may participate and vote in the referendum.

If Farmers Vote Yes

A "yes" vote will provide:

(1) Price support at \$2 a bushel -- national average -- for about 80 percent of the normal production on a farmer's acreage allotment. This will be his "certificate" wheat. "Normal" production will be based on average production for the past five years. Farm allotments in 1964 will be about 10 percent below 1963 allotments -- about the same as 1962.

(2) Wheat produced on the farm allotment in excess of that eligible for \$2.00 support will be supported at about \$1.30 per bushel. (National Average). This is a price near the world level and the current value of wheat as livestock feed.

(3) Per acre payments at 30 percent of the value of normal production will be offered for conservation use of acreages required to be diverted below the farm base acreage (based on the former 55-million acre allotment). Also payments at a 50 percent rate are provided additional voluntary acreage diversion. Growers who participate and make the maximum diversion will actually be eligible for price support at the \$2.00 level for all they would normally produce.

If Farmers Vote No

If more than one-third of eligible growers vote "no" in the marketing quota referendum:

There will be no marketing quotas, no penalties for overplanting, and no diversion program. There will be price support at 50 percent of parity -- about \$1.25 a bushel -- but only to the few growers expected to stay within their allotments. If there is no feed grain program in 1964, national average wheat prices could fall below \$1 per bushel. If a feed grain program is in effect, wheat prices nationally would be based on corn supports, and would be slightly above \$1 per bushel.

Wheat Income and Main Street

In late May, farmers will make a decision -- in the 1964 wheat referendum -- important to every businessman in many hundreds of wheat-growing counties. The issues in this referendum are crucial to wheat growers' incomes, and they are also important to bankers, machinery and appliance dealers, clothing stores, professional men, and newspaper publishers.

As an example, let's take an actual wheat farming county and consider what the difference in returns would be under the alternatives offered by the program.

This county -- in northwest Oklahoma -- has a 1963 wheat allotment of 222,074 acres. In 1964 the allotment will be about 10 percent less. With normal yields, and if farmers vote "yes", the gross income from wheat will be about \$10 $\frac{1}{4}$ million. Assuming a feed grain program on barley and grain sorghum similar to 1963, these crops, plus diversion payments, should gross \$1 $\frac{1}{2}$ million for farmers in this particular county, for a total of nearly \$12 million.

A "no" vote probably would result in the planting of about 280,000 acres of wheat in this county. Farmers throughout the nation would increase their wheat acreage by 20 to 30 percent. Wheat prices would be around \$1 per bushel at the farm in Oklahoma, since most of the wheat would probably not be eligible for price support. Gross income from wheat in this Oklahoma county would be about \$7.7 million at expected yields. Income from feed grain with no new diversion program would add another \$400,000. Gross income from grain crops would be about \$8 million -- \$4 million less than with a yes vote. Net income would fall even more severely in percentage firms.

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THE EUROPEAN COMMON MARKET

The European Economic Community, usually called the "Common Market" or "EEC", is made up of six member countries and an associate. These -- France, West Germany, Italy, Belgium, the Netherlands, Luxembourg, and the associate, Greece -- are taking down trade walls that have separated them for centuries.

Commerce within the combined area eventually will be carried on freely, much as it is among the states of the United States. Tariffs will be eliminated, as well as restrictions on movements of goods, capital, services, and workers. A common policy on imports from outside countries will be developed.

The land area of the market is relatively small. Both France and West Germany are smaller than Texas. Belgium is only about a third as big as Pennsylvania. However, the 170 million population of the area in 1960 was close to 179 million population of the United States.

The market area is intensively industrialized. It turns out steel, automobiles, machinery, chemicals, textiles, optical goods and many other manufactured items. It has fine transportation. Skills of workers are high. The "gross national product" of the Community in 1961 was almost two-fifths that of the United States.

The Common Market was established January 1, 1958, in line with a treaty signed by the six countries in Rome, March 1957. The treaty sets up, among other things, a transition period in which the economies of the member countries are to be merged. Transition is expected to end by January 1, 1970, but could be extended to January 1, 1973.

Important steps toward merger already have been taken. On industrial goods traded among member countries there has been a 50-percent cut in internal tariffs, and complete abolition of quota restrictions. Basic decisions have been taken in formulating common policies for agriculture, energy, and transport.

The economic growth rate of the Common Market has been accelerating. Industrial goods are flowing freely. Virtually all workers are employed. High purchasing power and availability of goods have stimulated buying. Exports to outside countries have risen sharply. Imports are up.

Common Market Agriculture

Common Market agriculture, generally speaking, is less efficient than U. S. farming; that is, cost of production per unit usually is higher than in the United States. Of the 9 million farms, over 5 million are of 12 acres or less. Many consist of scattered strips of land poorly adapted to use of labor-saving machines. Often the design and location of farm buildings hamper efficient handling of livestock.

Farmers make up over a fourth of the labor force, and their voices are heard and heeded in Common Market capitals. Farmer dissatisfaction with the gap between farm and nonfarm incomes brought government price supports for several crops in most Common Market countries a number of years ago. France and Germany, in particular, have carried on large-scale support operations, although the levels of support in Germany have been considerably higher than in France. The system of support or "target" prices has been carried forward into the Common Market under its common agricultural policy.

Trade with the Common Market

Trade has been brisk between the Common Market and the United States. Total U. S. exports of all kinds of commodities to the Common Market were valued in calendar year 1961 at \$3.5 billion, while U. S. imports from the Common Market totaled \$2.2 billion.

The Common Market bought \$1.2 billion worth of U. S. agricultural commodities for dollars in 1961 -- equal to about a third of all U. S. agricultural exports for dollars.

The Big U. S. Question

A big question for America's Main Streets as well as for agriculture is this, "Will the good Common Market outlet for our food and fiber continue?"

For American agriculture and communities dependent on farming, an important -- and disturbing -- feature of the Common Market's common agricultural policy is the control of certain agricultural imports through variable tariffs, fees, minimum prices, and, under certain conditions, quantitative restrictions. The purpose of the variable tariffs is to protect the Common Market's high support prices from the competition of low-cost products from the United States and elsewhere.

Among the U. S. commodities affected by variable levies are wheat, feed grains, rice, and poultry. These products account for about 40 percent of U. S. agricultural shipments to the Common Market. Because Common Market farmers will be guaranteed a high-price market for all they can produce, they are expected to step up production of the protected items. The need for imports from the United States and other countries could decline, unless consumption within the Common Market rises faster than production.

For some U. S. commodities, such as cotton, soybeans, hides, skins, and certain fruits and vegetables, the outlook is good.

Problems have arisen, however, for some others, including wheat, feed grains, rice, poultry, and tobacco. Exports of poultry and wheat flour have already begun to be affected adversely.

One Acre in Five Produces for Export

In recent years, the U. S. has been exporting the output of about one acre of every five harvested.

Half our production of cotton, wheat, rice, and dried peas has been going abroad. Exports have been taking two-fifths of our annual output of soybeans and tallow; a third of the production of tobacco, hops, flaxseed, and nonfat dry milk; a fifth of the dried whole milk production; and a sixth of the feed grains sold off farms. Fruits, poultry, meat and variety meats also are important exports.

American agricultural exports hit a new record in fiscal 1962 -- \$5.1 billion -- compared with \$4.9 billion in 1961; with \$4.5 billion in 1960, and \$3.7 billion in 1959. Exports for cash sales reached a record of \$3.5 billion; Food for Peace shipments reached a new high of \$1.6 billion, to become a third of all U. S. foreign economic aid.

U. S. Agricultural Trade Policy Is Liberal

U. S. agricultural trade policies tend to be liberal.

Import controls limiting the quantity which foreign countries can sell in the U. S. market are applied today on only five agricultural products -- cotton, wheat and wheat flour, peanuts, certain dairy products, and sugar. Domestic production of all these commodities, except dairy, is limited by supply management programs.

All other kinds of agricultural products are allowed unrestricted entry to the United States, subject only to moderate tariffs and to sanitary regulations designed to provide normal high standards of quality. These include fresh and frozen beef and lamb, pork, a large variety of canned meat products, vegetable oils, fruits and vegetables, tobacco, feed grains, and many others.

Every State Benefits from Agricultural Exports

Every State benefits from the foreign shipment of American agricultural commodities. For the fiscal year 1961, the value of exports is estimated for each State:

Value of United States Agricultural Exports by Region and State
Fiscal Year 1960-61

Region and State	Principal Exports	Agricultural Exports Million Dollars
New England		56.1
Maine	Potatoes and Poultry products	25.6
New Hampshire	Dairy and poultry products	2.7
Vermont	Dairy products	4.8
Massachusetts	Apples, dairy and poultry products	9.9
Rhode Island	Dairy products	1.6
Connecticut	Tobacco, dairy & poultry products	11.5
Middle Atlantic		136.0
New York	Apples, dairy & poultry products	59.1
New Jersey	Apples, poultry products & vegetables	19.9
Pennsylvania	Wheat, tobacco & dairy products	57.0
East North Central		746.3
Ohio	Soybeans, wheat, corn & livestock products	117.7
Indiana	Soybeans, wheat, corn & livestock products	149.3
Illinois	Soybeans, corn, wheat & livestock products	320.1
Michigan	Wheat, corn, soybeans & dairy products	94.9
Wisconsin	Corn, tobacco & dairy products	64.3
West North Central		1105.3
Minnesota	Soybeans, corn & livestock products	163.7
Iowa	Corn, soybeans & livestock products	248.0
Missouri	Soybeans, wheat, cotton & livestock products	154.4
North Dakota	Wheat and livestock products	111.7
South Dakota	Wheat, corn & livestock products	46.4
Nebraska	Wheat, corn, grain sorghums and livestock products	176.9
Kansas	Wheat, grain sorghums, soybeans & livestock products	204.2
South Atlantic		597.0
Delaware	Soybeans and poultry products	9.7
Maryland	Tobacco, soybeans & poultry and dairy products	27.0
Virginia	Tobacco, soybeans, and apples	63.4
West Virginia	Tobacco and livestock products	7.0
North Carolina	Tobacco, cotton, soybeans and poultry products	210.5
South Carolina	Tobacco, cotton and soybeans	75.4
Georgia	Cotton, tobacco & poultry products	102.8
Florida	Oranges, tobacco and vegetables	101.2

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Value of United States Agricultural Exports by Region and State
Fiscal Year 1960-61

Region and State	Principal Exports	Agricultural Exports
		<u>Million Dollars</u>
East South Central		402.9
Kentucky	Tobacco, wheat & livestock	101.4
Tennessee	Cotton, tobacco, soybeans & livestock products	93.0
Alabama	Cotton and poultry products	71.6
Mississippi	Cotton, soybeans & livestock products	136.9
West South Central		802.9
Arkansas	Cotton, soybeans, and rice	171.2
Louisiana	Cotton and rice	81.9
Oklahoma	Wheat, cotton & livestock products	103.3
Texas	Cotton, grain sorghums, wheat, rice, and livestock	446.5
Mountain		390.5
Montana	Wheat and livestock products	67.9
Idaho	Wheat and livestock products	95.1
Wyoming	Wheat and livestock products	16.3
Colorado	Wheat, corn, grain sorghum and livestock products	81.7
New Mexico	Cotton, wheat, and livestock products	35.4
Arizona	Cotton, grain sorghums and live- stock products	74.2
Utah	Wheat and livestock products	15.6
Nevada	Livestock products	4.3
Pacific		702.9
Washington	Wheat, fruits & livestock products	113.0
Oregon	Wheat, fruits & nuts, livestock products	68.1
California	Cotton, rice, fruits & nuts, and livestock products	477.5
United States		4,946.6

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THE 1963 OUTLOOK FOR AGRICULTURE

Income

Farmers are likely to realize a small gain in 1963 gross income over the \$40.6 billion (or \$11,200 per farm) of 1962. This gain will be offset by higher farm production costs. Volume of farm marketings is likely to be larger, mostly due to larger livestock marketings. Little change is expected in marketings or prices of crops in 1963. Realized net farm income is expected to be close to the same level as 1962. However, with the number of farms declining, realized net income per farm likely will be above the \$3,500 estimated for 1962.

Cattle

A significant increase in beef supply is in prospect for 1963 due to a 6 percent increase in the beef cattle and calf inventory this January 1 compared with a year earlier. This year's beginning inventory includes 12 percent more cattle in feedlots than a year earlier. Prices for fed cattle dropped sharply from January through mid-March and may go a little lower by midyear. Fed cattle prices probably will improve in the last half of the year but are not expected to reach year-earlier levels.

Hogs

The 1962 fall pig crop, 5 percent larger than the preceding fall crop and second largest on record, will result in near-record March-June pork production this year. Slaughter barrow and gilt prices are expected to drift lower through May and will continue substantially under year-earlier prices. A seasonal recovery can be expected from June into August, but with prices holding below year-earlier levels. If producers carry out intentions to increase spring farrowings this year by 4 percent, prices will continue below year-earlier levels through the last half of 1963.

Dairy

Milk production per cow in 1963 is expected to be more than the last year's 7,370 pounds, an increase greater than the 147 pound gain from 1961 to 1962. Total milk production (by about 400,000 fewer milk cows) may exceed last year's 126 billion pounds. CCC purchases of dairy products for support purposes will continue high in 1963, since demand for milk is expected to gain little this year. Consumption of all dairy products is expected to rise about 1/2 percent above the 116.5 billion pounds milk equivalent of 1962, with per capita consumption slightly below the 1962 level of 637 pounds milk equivalent.

Poultry and Eggs

Only small to moderate increases are in prospect for broiler and turkey production. Egg production may stay close to the 1962 level until late in the year, when a significant increase is expected. Poultrymen's production plans this year are tempered by two important factors: (1) Satisfactory but not outstanding returns in 1962 and (2) higher feed prices this year than last.

Feed Grains

Feed grain use in 1962-63 is expected to again exceed production, although it is still below the record rate of 1961-62. Carry-over stocks probably will be reduced another 15 percent. This would bring the carryover into 1963-64 down to 61 million tons, 28 percent below the record 85 million ton carryover into 1961-62. (The marketing year begins October 1 for corn and sorghums and July 1 for oats and barley.)

Feed grain prices this winter have been about 3 percent above a year earlier and will average a little higher for the 1962-63 marketing year. Farmers are now signing up for the 1963 Feed Grain Program. Under the 1963 program, participating farmers will receive acreage diversion payments and price supports as in 1961 and 1962. A major difference is that farmers will be given price supports through loans and price support payments, instead of only price support loans. National average price support for corn is \$1.25 per bushel, 5 cents higher than in 1962. The average loan rate is \$1.07 per bushel and the price support payment on the normal production is 18 cents per bushel. Farmers must divert at least 20 percent of their acreage to soil-conserving uses to be eligible for the program.

Wheat

The 1963 wheat crop is expected to total around a tenth above the small 1962 crop. The price support rate on 1963 wheat is \$1.82 (national average) per bushel and the price received by farmers in 1963-64 may average near this level. Farmers who voluntarily divert acreage are eligible for a payment of 18 cents per bushel on their normal production as well as acreage diversion payments. The price support loan program will operate in 1963-64 as in the past. Carryover on July 1, 1963, is expected to decline for the second consecutive year and may total about 1.2 billion bushels, compared with 1.3 billion last year.

Soybeans

Soybean supply for the 1962-63 marketing year that started October 1, 1962, is estimated at 723 million bushels. Crushings for soybean oil and meal for the entire season are forecast at 470 million bushels, 7 percent more than the year-earlier grind. Soybean exports are expected to total about 175 million bushels, 14 percent greater than in 1961-62. The carryover will be around

35 million bushels on September 30, 1963, compared with 58 million a year earlier. A carryover of 35 million bushels would be less than 1 month's requirement for crushings alone.

Soybean prices to farmers during the current marketing year (ending September 30) are expected to continue well above the 1962 crop support price of \$2.25 per bushel and above the \$2.33 average price received during April-September 1962.

Cotton

The U.S. cotton carryover on August 1, 1963, is expected to be the largest since the 11.3 million bales in 1957.

The 1962 crop was the largest since 1953 and both cotton use and exports are declining. The 1963 acreage allotment was reduced to 16.4 million acres from 18.2 million in 1962. The price support level for the 1963 crop has been set at 32.47 cents per pound for middling 1-inch cotton -- the same as for the 1962 crop.

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RURAL AREAS DEVELOPMENT

Working in Johnson County



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PICTURE STORY 153
MARCH 1963

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The Story of Johnson County's Success



Five leaders of the county's development program are shown on Main Street of Mountain City. Left to right are: J. H. Nave, farmer and insurance man; R. J. Howard, banker and spearhead of the movement; John Rutherford, electric cooperative manager; R. D. Fritts, newspaper publisher; and McQuown Wright, farmer and merchant. N-48567

Glove factory plant manager Ray Little watches the work of employee Mary Coe, who lives on a farm near the plant. Little thought it would take a year and a half to reach production goals. The employees did it in 11 months. N-48529



From farm to Main Street in Mountain City, Tenn., Johnson County is on the upswing. Economic decline is being reversed with new payrolls. Outmigration is being halted, and some former residents are returning.

Today's situation in Johnson County contrasts sharply with that of just a few years ago.

Operators of the county's small hill farms had found it difficult — sometimes impossible — to compete with larger, level farms on which modern machines could be used. Business in the county's towns felt the pinch of low farm incomes. Underemployment became a bigger problem than unemployment.

Unable to see a future at home, the county's youth began to leave. A survey of one senior class of 106 students showed that only 10 wanted to remain in farming. Thirty-seven were sure they would leave to seek work elsewhere. From 1950 to 1960, the county's population dropped from 12,278 to 10,765. Of those who left, more than 1,000 were in the ages between 15 and 39.

Johnson County's problems were common to numerous other rural areas in many sections of America. Nationally, 10 million people left farming during the 1950's — an average outmigration of two people every minute. Some turned to nonfarm work that they might stay in rural America. Many could not find fulltime employment. Four million rural people became underemployed, and half of the nation's poverty was found in rural areas.

Along with the people of many other rural communities, those in Johnson County acted to stop their area's decline.

They created the Johnson County Industrial Commission. They set up an Industrial Committee. They began work on an industrial park and voted a \$400,000 bond issue to help bring industry into the county.

Shortly after the Area Redevelopment Act was passed in 1961, the Area Redevelopment Administration (ARA), Department of Commerce, designated Johnson County as a rural area eligible for assistance.

University of Tennessee Cooperative Extension Service workers and U.S. Department of Agriculture (USDA) workers helped the local group prepare an overall economic development plan (OEDP). In this plan, the local people realistically outlined their problems, assets and liabilities, their goals, and the means of obtaining them.

Sixteen separate committees composed of about 200 local people looked into all aspects of the county's development problem, such as agriculture, natural resources, manufacturing and industrialization, recreation, education, conservation and watershed development.

The committees had the help of a USDA Technical Action Panel (TAP) made up of representatives of the Farmers Home Administration (FHA), Soil Conservation Service (SCS), Forest Service (FS), and Agricultural Stabilization and Conservation Service (ASCS).

The County Agricultural Extension Agent serves as liaison between the TAP and the local committees. The Home Demonstration Agent assisted the schools in making a detailed survey on what the students wanted in occupational training and opportunities. She worked also with the county health and welfare departments in preparing that part of the OEDP.

The results are impressive.

There's a 30-acre industrial park with a building containing 72,000 square feet of space on it, on ground that once was a farm. A garment factory occupies the building, providing employment for 204 men and women, increasing the area's annual payroll by \$500,000. There are plans to increase the employment by 100.

The industrial park has room for two more buildings as large as the first. Local people, by issuing county bonds, provided \$400,000 of the needed capital; a \$60,000 ARA loan and a \$46,300 grant paid for the park's sewage and water facilities. The Mountain Electric Cooperative, owned and operated by the local people, serves the park with electricity.

A cotton work-glove factory came into the county in 1962 and employs 115 men and women. It plans to expand to a new building and hire up to 200 people with an annual payroll of \$500,000.

A hosiery mill hires 20 people on a \$50,000 annual payroll.

Of the money so far invested in the county's industrial expansion program, nearly 80 percent came from the county's people themselves. Only 20 percent came from the Federal government and more than half of that is a loan which local people will pay back with interest.

The county bank reports deposits are \$809,256 greater than they were two years ago. Merchants along Main Street of Mountain City, the county seat, say that business already is picking up. Some businessmen have taken on additional help in the past year, part of the pyramiding effect of new money now being made and spent in the area.

Improvements also have been made in agriculture. An expanded dairy program has more than doubled milk sales. Increases have been made in sales of cattle and calves. Sales of potatoes, eggs and strawberries also are greater.

U.S. Department of Agriculture programs are helping. Farmers Home Administration has made loans totaling \$151,190 in the past two years. Conservation cost-sharing payments of the Agricultural Stabilization and Conservation Service run between \$42,000 and \$48,000 a year on about 300 different farms in the county. In the past two years, Federal Crop Insurance has protected the investments of Johnson County tobacco farmers for a \$105,000 liability. The Forest Service recently invested \$14,000 of Accelerated Public Works money in the Cherokee National Forest to reopen old trails, build footbridges, camping units and parking facilities, which will stimulate the county's plans for development of its recreational facilities. The Forest Service plans to invest an additional \$150,000 for further recreational and wildlife development in the National Forest. Still in process is a proposed small watershed project sponsored by the Johnson County Soil Conservation District and Shady Valley Watershed District to halt flooding of farmland by Beaver Dam Creek.

The Farm Credit System, supervised by the Farm Credit Administration, helped finance farmers through its various credit cooperatives. The Federal Land Bank Association of Johnson City (Washington County, Tenn.) has 46 loans totaling \$400,000 outstanding in Johnson County. The Mountain City branch office of the Eastern Tennessee Production Credit Association, Greenville, Tenn., made 150 loans for a total of \$400,000 in Johnson County in 1962. Tri-State Growers, Inc., a farmer cooperative at Mountain City, is a member of and obtains credit from the Bank for Cooperatives at Louisville, Ky. This farmer cooperative auctions vegetables and buys farm supplies for its members.

The new is now replacing the old in Johnson County. Over \$1 million additional money is being added to the county each year, through 350 jobs that did not exist two years ago. The county plans greater expansion. Farmers are enlarging their operations with money earned in the new plants. Business is up in the county. New red brick homes are replacing many of the old frame houses. More young people are staying in the county. Some who left are returning.

All of this was accomplished through coordinated rural areas development efforts of the people of Johnson County, using their own resources and those of the U. S. Departments of Agriculture and Commerce.



Adding lifeblood to the rural community, the new garment factory rests in the industrial park, created from a farm. The county and the State of Tennessee will soon invest \$100,000 to build access roads to the park to facilitate building and operation of other plants it expects to settle there. N-48575



Employees, most of them from farms, are shown in this interior view of the garment factory. After bolts of material are spread out by shuttles (see cover picture, N-48572) they are cut into patterns by other men, and garments are assembled here at the rate of 5,000 a week. Availability of labor, power, transportation, were factors in the company's decision to settle in the county. N-48510

Mrs. Carl Taylor, a farm wife, is shown at work in the plant. With her income, she and her husband have bought more farmland. Several plant employees told her they would not be in the county now if they had not found work. Mrs. Taylor says all her high school friends left the county, but some have returned because of the development programs. N-48511



A depositor fills out a slip in the county's bank. On the wall is the first garment produced in the new factory, a symbol of the county's success. Deposits in the bank are up \$809,256 over two years ago. N-48516





Earl Howard, president of the Shady Valley Watershed District, looks over farmland damaged by the flooding of Beaver Dam Creek in the valley. T-967-6



Soil Conservation Service representative Ray Bryant, left, looks over Shady Valley with two members of the Shady Valley Watershed District, both farmers. A small watershed project to prevent flooding of farms is being sponsored by the watershed district and the Johnson County Soil Conservation District. SCS is helping the sponsoring local organizations to prepare a plan for the project. N-48568

A nearly-completed home stands near an old one, illustrating part of the change in the area. Several of the homes are financed with loans from Farmers Home Administration. N-48560



General farmer Carl Taylor throws armfuls of hay to two of his herd of beef cows on the hilly farm he and his wife own. Since Mrs. Taylor has been working (see page 5) they have added to their farmland, and use the additional income to help meet payments on their recently built home (rear). They have two children. N-48569



Paul Stout, left, a Farmers Home Administration home borrower in the county, talks with FHA county supervisor James Thompson about his new home. N-48584





Beef cattle farmer Wiley Staut, right, is visited by County Agent Jahn Walker, left, and Agricultural Stabilization and Conservation Service representative Paul Matheson on his farm. Through efforts of ASCS, Staut adapted a system by which an inch-wide stream of water running out of a hill on his farm fills three 500-gallon tanks like this one with fresh water and could fill others down the valley. The \$50 cost of each concrete tank was easily made up in better use of grass and time and expense saved by not hauling water to the cattle by truck. N-48566



More students of Johnson County High School (above) can stay in the county if they wish to do so, because of new opportunities created by the development program. The county recently consolidated its schools and now plans to build a new high school. N-48561

A sign of the county's progress is the addition of new motel units by the owner, right. Tourist recreational aspects of the area are being promoted by the county's development committee, but this construction work is also a reflection of the new business coming into the county. N-48580

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Upswing in Rural America

U.S. DEPARTMENT OF AGRICULTURE,
Washington, D.C.

MARCH 1963

UPSWING IN RURAL AMERICA

Highlights of Change

Rural America is complex and rapidly changing.

For decades it has been moving sideways as the national economy has moved up. In some areas, the rural economy has declined.

Fewer Farm than Nonfarm People in Rural America

Rural population totaled only 200,000 more in 1960 (54 million) than it did in 1930 (53.8 million). But the composition of the rural population was greatly changed. In 1930, farm people accounted for 57 percent of the rural population; in 1960, they represented only 29 percent.

More Rural People Work in Manufacturing than in Farming

Rural America is more than farming, but agriculture is one of its economic pillars. Only one worker in five in the rural labor force is engaged in farming, yet many of the jobs in rural areas are related to agriculture in some way. More rural people have jobs in manufacturing, including the processing of food and fiber, than in farming. One worker in seven in the rural labor force is engaged in wholesale or retail trade, much of it with farm people.

In the last census, one farm male in every three reported his major occupation was something other than farming. But there are not enough jobs outside of farming for all those who want work in rural America. The amount of underemployment in rural areas is the equivalent of some 4 million unemployed.

For more details on the changing rural America, see "The Size and Shape of Rural America," Page 29.

Job Opportunities Lag

The farm worker today produces enough to meet the needs of 27 people; but as the farmer's efficiency increased and the need for farm workers declined, the opportunity in rural America for jobs off the farm did not keep pace.

The effect of this can be seen in many ways.

Farm population declined by nearly a third between 1950 and 1960.

Total rural population (combined farm and nonfarm) declined nearly 1 percent. Of 2,415 counties entirely or predominantly rural in 1950, three-fifths of them (1,430) had lost population by 1960; a fourth (632) had gained less than 15 percent; and only 353 counties had increased by 15 percent or more.

Rural towns under 2,500 had a slight population loss in the 1950's. Those between 2,500 and 5,000 increased their population 12 percent compared with the urban increase of 29.3 percent and the national increase of 18.5 percent.

Young People -- the Greatest Loss

Young people, those who make the future, are leaving rural America to seek better opportunities in the city. During the 1950's, at least 70 percent of the net migration from farms consisted of youth under 20 or who reached 20 during the decade. This migration of young people from the farm -- and from small towns -- has been so heavy that the number of births in the farm population is declining. A few rural counties are recording more deaths than births. Farm people aged 60 to 69 outnumber those who are 20 to 29. In urban areas, people aged 20 to 29 exceed those 60 to 69 by 64 percent.

Future migration from rural areas will come primarily from the relatively large base of children and young people, unless job opportunities can be created for them in or near their home communities. For every 100 older rural men who are expected to vacate existing jobs during the 1960's, 177 rural boys will be reaching age 20. Around two-fifths of all rural people were under 20 in 1960.

The large-scale movement out of agriculture of entire families with able-bodied heads appears to be largely finished. Most of the remaining low-income farmers are middle-aged or older, and many of them are ill-prepared to seek urban jobs and have little desire to move. Seventy percent of the farm operators who sold less than \$10,000 worth of products in 1960 were 45 years old and over.

As older operators of small- to medium-sized farms retire, their holdings are often taken over by other farm operators or go out of farming altogether. Along with greater farm efficiency, this accounts for the increase in average farm size (from 177 acres in 1942 to 316 acres in 1962), for the declining number of farms, and for the decreasing opportunities for young people in farming.

Living Conditions Are Lower

The decline in rural population and rural underemployment are reflected in living conditions. Only 65 percent of rural farm homes and 88 percent of rural nonfarm homes had hot and cold water in 1960, compared with 99 percent in urban areas. Sixty-five percent of the farms had telephones, 56 percent had home freezers, and 80 percent had automobiles. In isolated rural areas, there were only 47 physicians per 100,000 people, compared with 132 physicians per 100,000 people in metropolitan areas. The percentage of rural people with health insurance coverage was much smaller than that of urban people who have this protection. Rural people had fewer years of formal schooling; 11 percent of rural people 25 years old and over had completed less than 5 years of schooling, compared with 7 percent of urban people in this age group.

Rural America cannot grow if it continues to lose population. Nor can it expect to keep more of its young people unless it creates more job opportunities which in turn will bring the improved living conditions they seek, and help to build the public facilities they need -- schools, hospitals, water supply, and sewage facilities.

Farming Still the Backbone of Rural America

High farm income is essential to a stronger rural economy, for farming remains the backbone of rural America.

When the farmer prospers, Main Street of rural America prospers, for that is where the farmer buys the bulk of his food and feed, his machinery and implements, his seed and agricultural chemicals. At least 80 percent of the farm families who buy these items buy most of them in towns of less than 10,000. And farm families already are a \$41 billion-a-year customer of business and industry.

The trade and industrial potential of bringing rural living conditions nearer those of urban areas is tremendous; for example, to put hot and cold water in the 35 percent of farm homes and the 12 percent of rural nonfarm homes without this convenience of modern living would be an enormous economic boost for trade centers.

Measuring Rural Change on Main Street

Changes in rural America are measurable on the Main Streets of its towns and small cities.

Greene County, Iowa, is an example. Between 1950 and 1960, this typical Cornbelt county saw its population drop from 15,500 to 14,300 -- a net loss of 1,200 people or 7 1/2 percent. With the heaviest migration among youths and young adults, the number of persons in the middle-age groups -- the ages of employment and productive work -- declined in proportion to the numbers of persons in the dependent groups, the very young and the aged.

The county seat, Jefferson, has had moderate population growth, but much of its gain has been composed of older persons.

Between 1948 and 1958, Greene County saw the number of its retail stores decline by 5 percent, compared with a decline of 5 percent in the entire State and 3 percent in the Nation.

During this same period, retail sales per Greene County store rose 39 percent -- more than the 30 percent increase for the State but less than the 51 percent increase for the Nation. In 1958, Greene County retail stores averaged \$86,100 in sales, while those of Iowa were \$100,500 and the Nation \$111,600.

The brightest spot in Greene County retail sales was brought on by agricultural technology. The stores that sell farm supplies, machinery, and equipment had much greater sales increases, between 1948 and 1958, than these types of stores in either Iowa or the Nation. For example, the

category of stores that includes fertilizer, fuel, and feed retailers increased sales by more than 88 percent. The increase in Iowa was 25 percent and in the Nation 57 percent. Sales of farm machinery, lumber and building materials were up 47 percent in Greene County between 1948 and 1958; up 8 percent in Iowa, and up 28 percent in the United States.

When Jefferson people were asked to identify the county's greatest problems, they mentioned these two most frequently: 1. Inadequate employment opportunities for all age groups in the community and 2. Inadequate salaries to keep young people in the community and to hold the adults now employed.

New Programs Emphasize Economic Opportunities for People

Too often, the problems of rural America have been blamed entirely on excess farm production. Too often, the solutions attempted have been largely oriented to commodities.

Today the work of the U. S. Department of Agriculture is oriented to the people of rural America -- farm and nonfarm -- to help them to develop new economic strength, to create more job opportunities, and to provide more of the products and services all Americans want, including outdoor recreation.

New programs of economic development are moving ahead. New supply management programs -- such as those for feed grains and wheat -- are operating. These new programs are meshed with the older programs of credit, conservation, research, marketing, crop insurance, service to cooperatives, and education. The Department's work is coordinated with programs of other Federal Departments and independent agencies and with those of State and local government.

The Goals

These people-oriented programs are aimed, through locally-initiated and locally-determined activities, at removing the causes of low income, underemployment, rural poverty, declining villages and towns, and excessive production of commodities.

This blending of new and existing programs of the Department of Agriculture and other agencies seeks to gain such high priority national goals as:

1. Helping rural America to give direction and purpose to its adjustment to rapid changes;
2. Readjusting rural land use patterns to make more land available for the increasing needs of outdoor recreation and open spaces, while reducing cropland acres;
3. Fully protecting and developing the Nation's soil, water, forests, grass, fish, wildlife, and open spaces;

4. Strengthening the family farm pattern, while insuring an efficient and productive source of food and fiber in a way that increased efficiency does not mean less income to the producer;
5. Encouraging more rapid industrialization and expansion of commercial enterprise in rural areas and thus providing new employment and other nonfarm economic opportunities;
6. Providing adequate public facilities and services in rural areas.

RURAL ECONOMY ON THE WAY UP AGAIN

The economic upswing in rural America is evident, from farm to Main Street. Gross farm income rose 7.1 percent, or \$2.7 billion, from 1960 to 1962:

1960 -- \$37.9 billion.
1961 -- \$39.9 billion.
1962 -- \$40.6 billion (preliminary estimate).

Realized net income from farming was up 10.3 percent, or \$1.2 billion, from 1960 to 1962:

1960 -- \$11.7 billion.
1961 -- \$12.8 billion.
1962 -- \$12.9 billion (preliminary).

Per capita personal income of the farm population rose nearly 14 percent from 1960 to 1962 to an all-time high, reflecting the greater income from farming, an increase in nonfarm income (off-farm work and other sources), and a still declining farm population:

Per Capita Personal Income, Farm Population

		Preliminary Estimates	
	<u>1960</u>	<u>1962</u>	<u>Up</u>
From all sources	\$1,255	\$1,430	13.9%
From farm sources	791	926	17.0%
From nonfarm sources	464	504	8.6%

As income rose, farmers' buying was stepped up. For one thing, spending for production items was higher -- but the rate of increase was less than that of gross income from farming. The rise in production costs from 1960 to 1962 was 5.7 percent, or \$1.5 billion:

1960 -- \$26.2 billion.
1961 -- \$27.1 billion.
1962 -- \$27.7 billion (preliminary).

At least 67 percent of the added buying in 1962, over that in 1960, was done on Main Street of towns under 5,000 population.

Next to benefit were towns and small cities of population ranging from 5,000 to 29,999, where about 25 percent of the extra buying power was felt.

The remaining 8 percent of estimated additional farm buying in 1962 was done in cities with populations of more than 30,000.

This table shows estimates of how and where farmers spent their additional income in 1962, for food, clothing and household furnishings, as well as for production items:

Expense Item	Total Increase 1960-1962	Estimated expenditures in towns with population of:		
		Under 5,000	5,000 -- 29,999	30,000 and over
<hr/>				
<div>Million Dollars</div> <hr/>				
Feed	438	337	88	13
Tractors	131	86	34	11
Automobiles	185	98	57	30
Fertilizer, lime and pesticides	63	47	13	3
New construction	133	96	31	6
Repair and operation of buildings	152	109	35	8
Food	330	234	75	21
Clothing	160	67	56	37
Household furnishings	95	55	29	11
Sub total	1,687	1,129	418	140
Other and Savings	892	---	---	---
Total	2,579			

Further evidence of the impact of increased cash income on Main Street is the comparison of farm income with retail sales in trading centers.

Cash farm income on representative dairy farms in Sullivan County, New York, increased 2 percent in 1961 over 1960; retail sales in the county during the same period increased 1 percent. (1961 is the most recent year for which retail sales by counties are available.)

On a typical dairy-hog farm in Dodge County, Minnesota, cash income was up 6 percent; county retail sales up 3 percent.

In Desha County, Arkansas, cash income on typical cotton farms rose 15 percent; retail sales were up 2 percent in the county.

Cash income on typical sheep and cattle ranches in Greenlee County, Arizona, was up 16 percent in 1961 over 1960; retail sales were 13 percent higher.

On representative cattle ranches in Johnson County, Wyoming, cash income rose 38 percent; retail sales rose 2 percent in that county.

Where FARMERS spent their increased income in 1962

\$418 MILLION



BIG TOWN

Population 5,000 to 29,999

\$140 MILLION



CITY Population over 30,000

\$892 MILLION OTHER*



FARM

\$1,129 MILLION



SMALL TOWN

Under 5,000 Population

* OTHER EXPENDITURES AND SAVINGS.....

Cash income on representative hog fattening-beef raising farms in Linn County, Missouri, was up 11 percent; retail sales in the county were up 2 percent.

On typical hog-dairy farms in Clayton County, Iowa, cash income rose 14 percent; county retail sales were about 2 percent higher.

Cash income on typical cash grain farms in Jasper County, Illinois, rose 8 percent; retail sales were up 4 percent in that county.

On representative tobacco farms in Jones County, North Carolina, cash income increased 5 percent; retail sales went up 3 percent.

In Early County, Georgia, on typical peanut-cotton farms, cash income went up 11 percent; retail sales in the area rose 3 percent.

And when cash farm income goes down, as it did in some counties in 1961, trade also goes down in the towns largely dependent on agriculture.

On typical wheat-small grain-livestock farms in Bottineau County, North Dakota, cash income dropped 49 percent due to drought conditions; retail sales in the county declined 4 percent from 1960 to 1961.

Cash income on typical wheat-corn-livestock farms in Dickey County, North Dakota, was down 5 percent; county retail sales were also down 5 percent.

In Lincoln County, Washington, on typical wheat-fallow farms, cash income was down 2 percent; retail sales in the county dropped about 5 percent.

In the winter wheat area, cash income on typical farms in Rawlins County, Kansas, dropped 3 percent; retail sales in the county were down 2 percent from 1960 to 1961.

More Income Means Investment

Local funds also are being built up to provide the means for increasing investment and faster economic growth in rural areas.

In 618 selected agricultural counties, deposits in insured commercial banks were 6 percent higher December 31, 1961, than a year earlier. Also, in trading centers under 15,000 population, deposits in insured commercial banks were up 6 percent, or \$2.2 billion, from December 31, 1960.

Where FARMERS spent \$41 Billion in 1962

\$5 BILLION



BIG TOWN

Population 5,000 to 29,999

\$1.6 BILLION



CITY Population over 30,000

\$19.8 BILLION*
Other Farm EXPENDITURES



FARM

\$14.6 BILLION



SMALL TOWN

Under 5,000 Population

Farm families had an estimated total of \$44.6 cash income from farm and non-farm sources in 1962. Estimated expenditures totaled \$41 billion.

**This \$19.8 billion includes hired labor, livestock purchases, taxes, interest, medical care, and other items of expenditure, most of it probably in towns under 30,000 population.*

Job Upswing in Manufacturing Centers

Increased farm buying power is soon translated as more factory jobs.

From 1960 to 1961, the value of tractor shipments for domestic use rose 23 percent. Domestic shipments of other farm equipment increased only slightly in 1961. But in the first nine months of 1962, value of shipments of both tractors and of other farm machinery was 8 percent above the same period in 1961.

And unemployment in important farm machinery industrial centers dropped between September 1960 and September 1962:

In Peoria, Illinois, the unemployment rate dropped from 5.6 percent in September 1960 to 3.4 percent in September 1962.

In Rockford, Illinois, the rate dropped from 4.6 percent in September 1960 to 3.7 percent two years later.

In the Davenport-Rock Island-Moline area, the unemployment rate dropped from 4.6 percent to 2.9 percent.

In Racine, Wisconsin, unemployment in September 1960 was 4.9 percent of the work force. In September 1962 it was down to 4.1 percent.

Surplus Downswing

Since 1960, feed grain production has dropped below domestic consumption and exports for the first time in 10 years. Reduction of stored surpluses means ultimate savings to taxpayers of more than \$1 billion through lower storage and handling charges.

Total carryover of all feed grains has been dropping progressively from a record 85 million tons in October 1961 to around an estimated 61 million tons by October 1963. Participation by producers in the 1963 feed grain program probably will bring the feed grains carryover within range of a desirable level adequate for national security by 1964.

The wheat stabilization program rolled back wheat production by more than 200 million bushels less than it would have been without the program, thereby reducing government storage and handling costs by at least \$100 million from what they would have been. The 1963 program offers wheat farmers a continued opportunity to make needed production adjustments.

In May, wheat farmers will vote on whether a permanent new program for wheat will go into effect in 1964.

Food Prices Stable

Food prices remained relatively stable. Cost of food served in the home rose less than 2 percent during 1961-62. All food prices rose 2.2 percent, the same as the entire Consumer Price Index. Americans now spend less of their take-home pay for food than ever before -- about 19 percent in 1962, compared with 23 percent in 1952.

Food marketing charges rose less than one-half of one percent, during 1962. Marketing charges (which cover the cost of assembling, shipping, packaging, storing, processing, and selling) are expected to average about the same in 1963, and may be leveling off after 12 years of increases.

ECONOMIC GROWTH IN RURAL AMERICA

Some Examples

New economic vitality is appearing in many rural communities and small towns across the nation as local people combine their own resources with those available from government.

A whole galaxy of new programs, as well as the strengthened or redirected older programs, is aiding them.

Some of these new programs are in the Department of Agriculture, such as those provided by the Congress in the Food and Agriculture Act of 1962, and the Consolidated Farmers Home Administration Act of 1961.

This Department also administers the rural phases of some new programs that serve urban as well as rural people; for example, the Senior Citizens Housing Act of 1962, or some activities under the Accelerated Public Works Act of 1962. A major part of the help available under the Area Redevelopment Act of 1961 (administered by the Department of Commerce) is going to rural areas, with technical and other assistance from the Department of Agriculture.

Members of farm families with a net annual income under \$1,200 are eligible, under the Manpower Development and Training Act (Department of Labor), for training in skills needed in the labor market.

Under programs provided by the Food and Agriculture Act of 1962, the Department of Agriculture is aiding local people with:

Long-range changes of land use from crops to grass, to trees, fish and wildlife habitat, or to outdoor recreational uses in test or pilot areas.

Development of public recreation and future municipal and industrial water supply in small watershed projects.

Credit for developing and operating income-producing outdoor recreation on family farms.

Credit to help rural groups to make long-range changes of land-use from crops to grass, to trees, fish and wildlife production, or to outdoor recreation.

When funds are available, the Department is prepared to help with:

Resource Conservation and Development Projects.

Rural Renewal Projects.

Rural America's new economic upsurge is sparked by local people as part of a nationwide Rural Areas Development (RAD) program. More than 50,000 rural and town leaders are now participating in various RAD activities. Nearly 2,000 rural counties and areas have organized RAD committees, and about 760 of them have completed their initial development plan, and 686 more are in the process. To help these local committees receive the coordinated services of USDA, and to help them obtain services from other Departments or agencies, the Department of Agriculture has formed a Technical Action Panel (TAP), in each county. Panel members, for the most part, are local employees of this Department.

Local projects that began as a small watershed project, or as a rural electric or other cooperative, are often sparking industrial development, improved public facilities, outdoor recreational enterprises, and other economic growth.

Kentucky

Mud River Watershed Project near Russellville is one of many examples of community benefits derived from watershed projects started by local people with help from USDA. Water supply, recreation and flood prevention are all helping local people to use their own resources and those of the State and county to create more favorable economic conditions.

A new plant manufacturing layer crates and prefabricated "hog parlors" has been set up at Lewisburg as a result of a new water supply.

A new boat shop has been opened to take advantage of the 900-acre recreation Lake Malone. It is estimated there will be 15,000 man-hours of fishing annually in the lake and several hundred thousand visitors will use the lake facilities. More than 200 lakeside building lots have been sold, 50 cabins have been built, as well as a \$45,000 sportsmen's lodge, and 30 miles of public roads have been built, including a new bridge costing \$154,000. Electric and telephone lines have been installed to serve the area.

The Mayor of Lewisburg estimated 170 new jobs will be brought to the community.

The Emerson Electric Company has just finished a \$4,000,000 plant at Russellville hiring 460 people. The Rockville Manufacturing Company will double its size in the next few years. It now employs 300 people.

Watershed structures are protecting the existing water supply by reducing sedimentation.

Small Watershed Program -- National Summary: Nearly 1,900 applications, covering 134 million acres, have been received from sponsoring local organizations in 48 States for help with small watershed protection and flood prevention. Of the proposed projects, 457 are operating and 384

others are being planned. New legislation permits Federal cost-sharing for public recreation, and also offers more help to local people in developing water supply for future municipal and industrial needs.

Many USDA resources are available through small watershed projects, including loans to municipalities or other local agencies and cost-sharing for conservation work.

Illinois

Litchfield joined Hillsboro and the Montgomery County Soil Conservation District in requesting help to combat the problems of floods and poor drainage during wet seasons and water shortages during dry seasons. Town and farm people initiated and sponsored the Shoal Creek Small Watershed Project.

The Department, in addition to technical and other aid to the project, lent \$1.8 million to Litchfield to help finance a proposed multiple-purpose reservoir for flood prevention and municipal water storage and for two related flood-water retarding reservoirs.

With a municipal supply of 23,000 acre-feet of water in the new reservoir, Litchfield will be prepared to serve the new industries that town leaders seek. The reservoir will have 25 miles of shoreline to provide new opportunities for fishing, boating, picnicking, camping and other recreation.

Texas

Seven farm tenant families near Anson early in 1962 faced the choice of finding other land to rent or of getting out of farming altogether. The owners of a 5,500-acre estate they were renting had decided to sell out. Their problem also was of concern to the town of Anson, where the families traded, and to Jones County which had lost about 20 percent of its population in 10 years.

A local banker and the Department of Agriculture arranged for loans to the tenants, under the Department's insured farm ownership program, to buy farms from the estate. The loans averaged \$39,000, and the families put an average of \$7,900 of their own money into the purchases.

In addition to the 7 former tenants on the estate, 4 other tenant families in the area also received insured loans to purchase estate land. Former owners of the estate will hold notes on the 11 farms, with a Department of Agriculture guarantee of principal and interest payment.

Thirty-seven families in a rural community near Sommerville have a dependable water supply as a result of a Department-insured loan made last year. Previously the families depended on cisterns that collected run-off rainwater from roofs. During droughts, they were forced to haul water from outside the community.

A local bank made an insured loan of \$24,000 to finance construction of a water main and tie-in lines connecting with the municipal water system of Sommerville.

Most of the families in the community are planning to construct full kitchens and bathrooms and are buying materials and equipment locally. At an average cost of \$1,000, home rehabilitation eventually will result in about \$40,000 of additional business for local merchants and contractors.

USDA Credit Programs, A National Summary: The Department is now able to serve the adjustment and credit needs of the full range of family farmers who are unable to obtain credit from commercial or other sources. The Department lent farmers and other rural people a record \$753 million in calendar year 1962 -- 50 percent more than in 1961 and 120 percent more than in 1960. About 214,000 families are using USDA credit this year, 17 percent more than the year before. From 1960 to 1962, operating loans increased from \$218 million to \$274 million, farm ownership loans increased from \$52 million to \$222 million, housing loans increased from \$43 million to \$177 million; soil, water, and watershed loans rose from \$6 million to \$18 million; emergency loans increased from \$23 million to \$62 million. Rural renewal loans have been authorized by the Congress, but funds have not been made available.

Substantial financial and farming progress is being made by farm ownership borrowers. A study was made in 1961 of 3,000 farm ownership borrowers throughout the nation who bought their farms in 1956. Between 1955 (the year before farms were bought) and 1961, the average borrower has:

- Increased farm gross cash income from \$6,653 to \$13,162.
- Increased net farm income from \$2,479 to \$4,246.
- Increased farm expenditures 120 percent.
- Increased family-living expenditures from \$1,365 to \$2,258.

Similar progress is made by farmers who obtain farm operating loans. In 1962, a total of 8,611 borrowers throughout the country repaid in full their farm operating loans and continued to farm. On the average, they had borrowed \$11,402, and took 5 years to repay.

During the period of the loan, the average borrower:

- Increased farm gross cash income from \$5,783 to \$10,550.
- Increased net farm income from \$2,220 to \$3,962.
- Increased purchases for farm operations from \$3,563 to \$6,588.
- Increased family purchases of consumer goods and items by 44 percent.

Georgia

Electric and telephone borrower cooperatives recently were asked to report the commercial and industrial projects developed in their service areas during the past 18 months. Returns from one-third of the borrowers disclosed that:

More than 53,000 jobs have been or will be created in rural areas by commercial and industrial projects these borrowers helped to launch.

Most of the financing for the projects is coming from private or local sources, not from the Federal government.

Federal loans and grants provide "seed money", at most.

Three Georgia examples of the assistance given by rural electric cooperatives to rural economic development:

Middle Georgia Electric Membership Corporation, Vienna, assisted in locating a new men's wear factory in its community to create jobs for 75 people.

Rayle Electric Membership Corporation, Washington, was active in helping to bring four new industries into the area it serves.

Blue Ridge Electric Association, Young Harris, led efforts to secure a new motel, a new courthouse, and a new airport.

National Summary, Rural Electrification and Telephone Loans: Almost \$4.8 billion in USDA loan funds have been invested by more than 1,800 private enterprises in their local electric and telephone facilities. The operation of these facilities serving 6.7 million individual consumers and subscribers has resulted in full-time jobs in private enterprise for more than 40,000 local people.

The rural market created by these cooperatives for electrical appliances and equipment amounts to about \$1 billion a year.

More than 225,000 rural people will get electric or dial telephone service as a result of 1962 USDA loans. During 1962, the five-millionth consumer was connected under the rural electrification program, and educational television in rural areas was made eligible for USDA financing.

Minnesota

Buyck, in northern St. Louis County, has a new \$89,000 wood products plant using timber from the Superior National Forest. Local people invested

\$37,000 and a loan from the Area Redevelopment Administration (Department of Commerce) made up the balance.

When the plant goes into full operation in April 1963, it will provide jobs for 30 men in plant and woods -- a new payroll of about \$100,000 a year. Operated by Echo Timber Products, Inc., the plant will furnish peeled posts and poles to a plant in Siren, Wisconsin, where the poles will be given a preservative treatment and marketed.

National Summary on National Forests -- Much more timber from the National Forests is being made available for harvest. Updating of inventories and management plans has permitted an increase in the allowable annual cut from 10.6 billion board feet in 1960 to 12.6 billion board feet in 1963. New forest roads and trails are being built in the more inaccessible areas of National Forests to provide access for fire control, insect and disease control, recreation, timber management, and other activities. Road and trail expenditures rose from \$43 million in 1960 to \$63 million in 1963. Recreation on National Forests also continues to increase. About 113 million recreational visits were made in 1962, compared with 92 million in 1960 and 102 million in 1961, and an expected total of 125 million visits in 1963.

One-fourth of the revenue received from timber harvest, grazing permits, and recreational activities in National Forests goes to the counties in which the lands are located. In fiscal 1962, payments to States for county use totaled \$25.7 million.

West Virginia

Since Webster County people began their rural areas development program, they have:

Started three new industries employing 310 people.

Opened two major new recreation areas catering to tourist camping and picnicking. These were developed in cooperation with State, local, and Federal agencies.

One of the new industries is a wood-working plant employing 80 people at Webster Springs, near the Monongahela National Forest. The planning committee of the local development group is seeking to expand wood-using industry, because a high percentage of the county is forest land.

Maine

Biddeford businessmen turned a problem -- lack of demand for No. 4 common grade white pine boards -- into jobs for 110 people.

Area businessmen proposed a finger-jointing and edge-gluing plant to fabricate clear boards with sections cut from No. 4 commons. They applied to the Area Redevelopment Administration (ARA) for a loan.

ARA asked technicians of USDA's Forest Products Laboratory in Madison, Wisconsin, and the Northeastern Forest Experiment Station at Upper Darby, Pennsylvania, to study the proposed project. When the study indicated the process would be successful, ARA approved a \$432,900 loan to start the new industry. Limited production began in October 1962. Sales of the new product increased until production was put on a three-shift basis, with 110 employees.

The fabricated boards are selling for \$200 per thousand board feet. The No. 4 commons, from which they were made, went begging for markets at \$65 per thousand board feet.

Forest Research. Nationally: Forest research funds have been increased from \$14.5 million in 1960 to \$24.8 million in 1963. More research is being conducted to find new uses for wood products, and on wildlife habitat and range management, forest recreation, and forest engineering. Research also is being expanded in forest genetics, forest insect and disease control, protection of forest soils and water, and water supplies for farms and cities.

Arkansas

The combination of local and Federal resources added 550 jobs in Marion and Baxter Counties.

Voters in the two Ozark rural counties approved a \$535,000 bond issue to start the Mar-Bax Shirt Company (named for the two counties) at Gassville.

But Gassville, with a population of 233, did not have enough water for the new industry. Neither did the community have the assessed valuation to support the \$160,000 bond issue necessary to finance a water system. The Area Redevelopment Administration made a public facility loan of \$31,000 and a direct grant of \$129,000 to Gassville to finance the needed water system. This was the first ARA loan and grant anywhere in the Nation.

By November 1961, nearly 490 people (most of them living within 50 miles of the plant) were on the payroll. Employment increased to 550 workers when the plant reached full operation.

These are some of the first results:

Total bank deposits in a major bank in the area increased about \$450,000 between January 2, 1961, and January 2, 1962.

Automobile registrations in Marion and Baxter Counties increased by 420, or nearly 9 percent, as compared with a State increase of about 3 percent.

Preliminary population estimates indicate that the decline in the two counties slowed down after the plant began operation.

Area Redevelopment Program in Rural Areas. National Summary: Since the first loan and grant were made by the Area Redevelopment Administration (Department of Commerce) to Gassville, Ark., in 1961, ARA has made a total of \$37 million in loans and grants in rural areas to start 108 projects: 68 loans to private concerns totaling \$16 million; and 40 loans and grants to finance 40 public facilities, totaling \$21 million (\$14 million in loans and \$7 million in grants). The 108 projects involve 15,000 new jobs. In the 858 rural counties designated as eligible for ARA aid, 4,678 development projects have been proposed by local people. The Department of Agriculture aids rural people to prepare their overall economic development plans, reviews project proposals, makes recommendations to the Department of Commerce, and aids the ARA program in other ways in rural sections.

Pennsylvania

Retail food sales in rural Fayette County rose nearly 8 percent after the Department and local authorities started a Pilot Food Stamp Program there in the spring of 1961. Meat sales went up 6.4 percent.

Fayette County is one of eight test areas where the Food Stamp Plan replaced a program of direct distribution of food to needy families. Under direct distribution programs, food acquired by USDA is donated to States for distribution to eligible families.

Under the Food Stamp Program, needy families certified by local authorities can get food coupons. If they have an income, these families buy some of the coupons and get additional ones free. Families without incomes receive coupons without cost. Grocers participating in the program accept the coupons in payment for foods grown in the United States. Grocers redeem the coupons in cash through commercial banks.

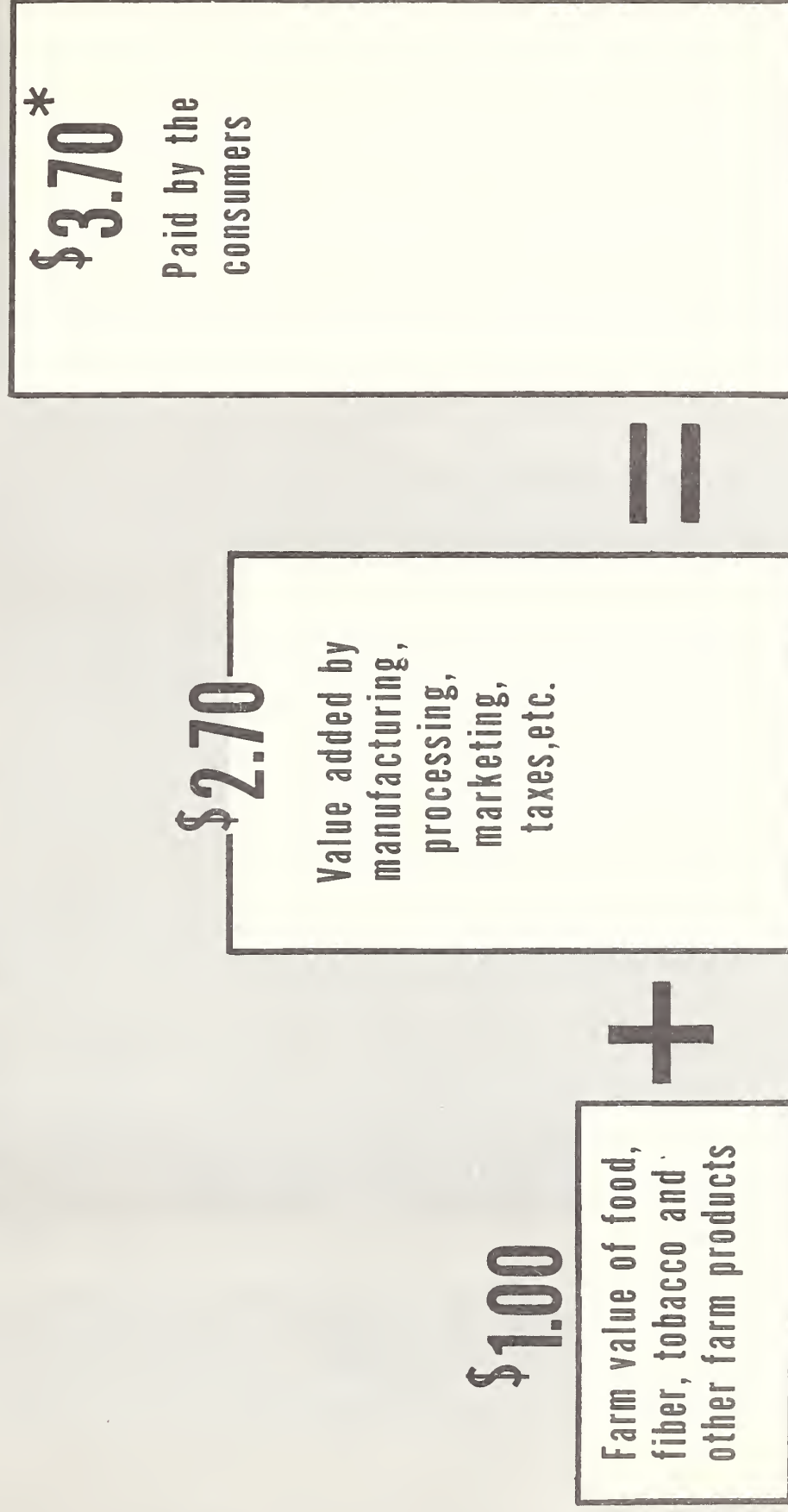
Pilot Food Stamp Program Summary: In the eight pilot areas, the increase in total retail food sales after the program went into effect was 8.4 percent. For meat, the increase was 7.2 percent; for fruits and vegetables, 7.9 percent; for other groceries, 9 percent. The program is now being moderately expanded, still on an experimental basis. USDA has offered Food Stamp Programs to 44 counties and three cities. It is expected to be in operation in most or all of these areas by June 30.

North Dakota and Minnesota

As a result of USDA research on new uses for potatoes, 20 plants for dehydrating potatoes are now operating in potato-growing areas of the country. These plants use 18 to 20 million bushels of raw potatoes each year, and employ several hundred people. Examples of plants:

Borden & Company plant at Grafton, N.D., with 100 employees.

AGRICULTURAL PRODUCTS CREATE JOBS AND WEALTH FROM FARM TO MAIN STREET



* Farmer's share--27 percent Nonfarm share, including taxes--73 percent

Red River Valley Potato Flakes Company, Grand Forks, N.D., 120 employees.

Fosston Potato Products, Inc., Fosston, Minn., 160 employees.

Gateway Flakes, Inc., Barnesville, Minn., operating with 60 employees a part of each year.

Since USDA developed dehydrated mashed potatoes and tested consumer acceptance of the new product, the decline in per capita potato consumption appears to have been stopped. Per capita consumption of potatoes averaged 114 pounds in 1947-49; dropped to 103 pounds in 1957-59; declined to 102 pounds in 1960; but averaged 103 pounds in 1961 and again in 1962.

Utilization research nationally -- some highlights: At least 6,000 people are employed in 400 frozen poultry processing plants in rural areas. USDA research developed chilling and packaging methods which resulted in better quality frozen poultry with little flavor change during processing and storage.

Until USDA developed a simple, inexpensive process for converting waste poultry feathers into feather meal, poultry processors paid up to \$20 a ton for disposal. Feather meal, used first as a fertilizer, then as an ingredient in plastics and fire extinguishing agents, and more recently as a nutrient in mixed feeds, provides \$12 million of gross income to poultry processors. Feather meal sells for about \$100 a ton. At least 250 jobs have been created in rural areas.

Nearly 130 textile finishing plants, in 23 States, employ more than 25,000 people to produce 45 million yards of wash-and-wear cotton fabrics a week. Because of the USDA-developed process, a million bales of cotton go into wash-and-wear fabrics each year, helping farmers by expanding and holding cotton markets as well as providing employment for rural people.

About 170 alfalfa dehydrating companies are using a method developed by utilization research to stabilize valuable nutrients of alfalfa and other forages. Use of processed alfalfa products is increasing at a rate of about 40,000 tons a year, creating about a hundred new jobs annually in rural processing plants and increasing farm income.

New York and Texas

A near-bankrupt company in a small town in upstate New York gained a new lease on life when it began manufacturing apple-bagging devices (developed by USDA marketing research) to get apples to consumers in better condition. The company manufactured the first devices for hand operation, later added a power attachment and a number of refinements. More than 4,000 of these

apple-bagging machines have now been sold, and the firm has grown strong in close association with the growing packaging industry.

Scores of firms are now thriving in specialized farm crop areas to support the expanded packaging of fruits and vegetables at the shipping point -- a fairly new trend stimulated by USDA marketing research. For example, a company in a Texas town of less than 4,000 people now makes printed film bags for carrot packers and shippers in the Rio Grande Valley.

Marketing research nationally: USDA's marketing research covers the entire range of agricultural products, with the goals to increase farm income, to reduce marketing costs eventually paid by consumers, and to provide consumers a better product.

California and Ohio

USDA aids farmers through research and other services to operate their cooperatives efficiently. Banks for Cooperatives, a part of the Federal Farm Credit System, help farmers to finance cooperative enterprises.

USDA helped the Hayward, California, Poultry Producers Association to adjust to changes that came when suburban developments caused most farmers to move away from the cooperative's headquarters. As a result of a USDA study made at the cooperative's request, the cooperative moved its milling facilities and merged with two smaller cooperatives. In four years after the move was made -- from 1959 to 1962 -- the volume of business rose from \$3.4 million to \$9 million. The farmers' investments went up from \$840,000 to \$3.4 million; annual returns to members increased from \$300,000 to \$1 million. The cooperative now employs 83 local people.

Poultry Producers Association, Versailles, Ohio, is an example of the payroll-creating value of a cooperative. In this town of 2,200 people, the cooperative did a business of nearly \$9 million in 1961-62, had an annual payroll of \$571,000, spent \$35,000 for electricity, interest, fuel, water, and sewage, and paid \$34,400 in taxes.

Cooperatives, a National Summary: Farmers did a net volume business of \$12.4 billion through their marketing, farm supply, and related service cooperatives in 1960-61. About four of every five farmers used cooperatives to strengthen their family farming enterprises. Farmers now have \$2.3 billion invested in these cooperatives. Their net income is at least half a billion dollars higher than if they did not use the cooperatives. They also receive patronage refunds that amount to over \$250 million annually.

Tennessee

When a rural county develops new industry, housing needs can exceed the supply of private local credit. This happened in Lawrence County, where about 3,000 people -- almost all of them living on small farms and doing part-time farming -- are employed in the area's plants.

USDA's rural housing program, authorized in 1961, helped 52 families through loans totaling \$438,000 to build new homes during the year ending June 30, 1962. Construction work was provided for other local people, and a new market was created for building materials and household equipment.

Alabama

In 1961, construction of 28 homes financed by USDA loans resulted in \$281,900 of increased buying in Marshall County. A total of 37,324 man-hours of employment resulted. Nearly \$200,000 was spent for building materials and equipment. About half of this amount bought materials produced in the county.

Idaho

A Department-insured farm labor housing loan of \$50,000 to the 75-member Gem County Cooperative Labor Council in 1962 financed 48 new dwelling units for migratory workers who harvest fruits and vegetables grown in the area. The 12 concrete block buildings each provides separate shelter for four families, and include bathing and toilet facilities.

The housing project will enable growers to double fruit orchard acreage by 1965; orchard expansion had depended on more seasonal labor. Vegetable production also will be expanded.

Oklahoma

Farmers and ranchers around Cheyenne gave irrigation little thought when they were fighting flood waters that annually spilled across their land from Sandstone Creek. Now that the small watershed project has curbed floods, farmers have been using some of the stored water for irrigation. For example, on a six-mile stretch of road outside Cheyenne there were seven farm units supporting six families before the watershed project began. The six families had a total annual gross income of about \$40,000. Today 14 families are living there and their gross income from the land is around \$200,000. Five of the farmers irrigate some land from the storage pool of one of the watershed reservoirs.

Water-based recreation also is bringing new income to the county. During the first five months of 1962, two rural stores near another watershed reservoir sold 516 fishing licenses -- 359 of them to out-of-state fishermen. Cheyenne's first motel was built during construction work in the watershed; last year, a second and larger motel was built.

"We don't have any new industries to point to and we haven't had a population increase," Cheyenne banker L. L. Males said in February. "But we have kept the population from declining and the watershed project has greatly increased the incomes of those still here. Our bank resources have gone from \$100,000 to \$4 million."

Florida

Federal Crop Insurance payments totaling around \$5 million will be made to Florida citrus growers whose groves were hit by the disastrous freeze of last December.

Federal Crop Insurance. National Summary: Since 1961, this USDA program has been expanded by 200 counties to bring to 1,095 the number of counties in which Crop Insurance is available on at least one major crop. Six additional crops -- peanuts, potatoes, peas, apples, canning cherries, and canning tomatoes -- have been made eligible since 1961 for insurance to increase to 20 the number of crops insured. During 1962, improvements in the amount of coverage and reductions in premium rates were put into effect to reflect improved farming methods and practices. Further improvements are planned for the 1963 crop year. Premiums collected from farmers in good years are repaid as Crop Insurance indemnities when crops are damaged by weather, disease, or insects. More than 40,000 insured farmers suffered major damage or destruction of crops last year. Crop Insurance payments to these farmers will total at least \$23 million.

NEW PROGRAMS MOVING AHEAD

New programs, authorized in the Food and Agriculture Act of 1962, to help farmers to convert cropland to grass, trees, fish and wildlife habitat, and to approved types of income-producing outdoor recreational use are underway on a pilot basis.

Cropland Conversion Program

Sixty-eight counties in 23 States have been listed as test areas under this program.

In 41 counties, primary emphasis is being given to the conversion of cropland to grass and trees. These counties are in 13 States:

Georgia -- Oconee, Walton, Treutlen, and Emanuel Counties.
Idaho -- Bingham, Bonneville, Caribou, and Power Counties.
Iowa -- parts of Dallas and Polk Counties.
Kansas -- Crawford, Jackson, and Jefferson Counties.
Maine -- Aroostook County.
Minnesota -- Clearwater, Mahnomen, and east Polk Counties.
Missouri -- Pike and Lincoln Counties.
Mississippi -- Itawamba, Lee, Tippah, and Union Counties.
North Carolina -- Cumberland, Sampson, Cleveland, and Rutherford Counties.
North Dakota -- Benson and McHenry Counties.
Pennsylvania -- Bedford, Fayette, Fulton, Somerset, and Westmoreland Counties.
Utah -- Juab, Millard, and Sanpete Counties.
Wisconsin -- Jackson, Trempealeau, Pepin, and Buffalo Counties.

In 27 counties, test projects will be aimed at the conversion of cropland to an outdoor income-producing recreational use. Additional counties in other States are also being considered for similar projects. Those so far selected are in these States:

Connecticut -- Litchfield County.
Delaware -- Kent County.
Indiana -- Harrison County.
Maine -- Sagadahoc, Knox, and Waldo Counties.
Massachusetts -- Essex, Hampshire, and Horfolk Counties.
Michigan -- Calhoun County.
New Hampshire -- Rockingham County.
New Jersey -- Mercer and Sussex Counties.
Ohio -- Jackson County.
Pennsylvania -- Butler, Chester, Lycoming, Mercer, Wyoming, York and Warren Counties.

Texas -- Wharton County.

Virginia -- Albemarle, Brunswick, Goochland, and
Rockbridge Counties.

Wisconsin -- Dodge County.

Farmers who participate in either phase of the program may receive adjustment payments, cost-sharing payments, technical assistance, and in some States forestry incentive payments.

The following are types of practices most commonly approved for cost-share payment: Tree planting; establishing and improving cover crops; contour strip cropping; replacing minerals; constructing dams; developing sod waterways; farm ponds; water management; stream bank protection; and wildlife conservation practices.

These special practices may be approved under the recreation phase of the program: Establishment of picnic and sport areas, camping and nature recreation areas, hunting and shooting areas, fishing areas, summer water sports areas, and winter sports areas.

Loans to Rural Groups for Changes in Land Use

The Department has received more than 60 applications from local associations to change land use under the new program authorized by the Food and Agriculture Act of 1962. Typical examples are:

South Dakota: Four small towns have applied for association loans to establish or enlarge parks and develop recreational facilities including picnic areas, parking facilities, and swimming pools and some small lakes for fishing and boating. Loan applications average about \$60,000.

New Mexico: Chaves County -- A small group of farmers and residents of Dexter have applied for a recreation loan to rehabilitate a lake and establish fishing, swimming, boating and picnic facilities. The new features are expected to attract people from two nearby urban areas and two air force bases -- bringing new money into the community.

Washington State: A group of farmers and residents of Harrington have applied for a loan to convert 64 acres of land now in wheat to a 9-hole golf course and to construct a modest club house. Total loan application is about \$45,000.

Senior Citizens Housing

Since this Act was signed into law on September 28, 1962, the Department has made (as of February 28, 1963) 179 loans totalling \$1,069,590 to individuals 62 years of age and over.

The first loan was made on October 30, 1962, to Mr. and Mrs. C. M. Montgomery, both 64, of Attalla, Alabama.

Six leading States or territories and amount of loans are: Arkansas, 27 loans for \$120,600; Mississippi, 23 loans for \$112,910; Puerto Rico, 17 loans for \$82,600; Texas, 14 loans for \$97,260; Alabama, 12 loans for \$80,440; and Georgia, 10 loans for \$82,260.

Accelerated Public Works

This program, signed into law late in 1962, is providing useful work in rural labor surplus areas.

Of the \$34.8 million allocated to USDA agencies, \$30.7 million is providing jobs on National Forests in Puerto Rico and these States:

Alabama, Alaska, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Montana, New Hampshire, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, Wyoming. This National Forest work includes road and trail construction and recreation, water, wildlife and timber development.

Of \$1.8 million received for Cooperative State Forestry Projects, nearly \$800,000 has been granted on a matching basis to these States:

Alaska, Florida, Georgia, Idaho, Indiana, Minnesota, Missouri, Pennsylvania, Utah, Washington, Wisconsin. Applications for cooperative forestry projects are pending from a few other States. Work underway includes projects concerning fire control, tree nurseries, pest control, and tree planting.

Small Watershed Project work is being speeded by allocation of a total of \$2 million to 13 of those locally-sponsored projects in: Alabama, Arkansas, Kentucky, Louisiana, Oklahoma, Tennessee.

A total of \$300,000 has been allocated for repair and construction of small research facilities in the Virgin Islands and in: Alabama, Alaska, Arkansas, Georgia, Mississippi, New Mexico, Oklahoma.

The Accelerated Public Works program is coordinated by the Area Redevelopment Administration, Department of Commerce.

THE SIZE AND SHAPE
OF RURAL AMERICA

The People

Rural population of the United States changed little between 1930 (53.8 million) and 1960 (54.0 million).

But a dramatic change occurred in the composition of the rural population. In 1930, farm people accounted for 57 percent of rural population; by 1960, farm people represented only 29 percent.

Census reports show this changing composition of rural population:

<u>Year</u>	<u>Farm</u> (millions)	<u>Nonfarm</u> (millions)	<u>Total</u> (millions)	<u>Percentage farm</u>
1930	30.5	23.3	53.8	57
1940	30.5	26.7	57.2	53
1950	23.0	31.2	54.2	42
1960	15.6	38.4	54.0	29

Allowing for natural increase in the farm population, it has been estimated that a million persons left the farm every year during the 1950's -- an average of nearly 2 persons per minute.

Of the 38.4 million rural nonfarm people counted in 1960, about 10.4 million lived in villages (places with less than 2,500 population) and the remaining 28 million resided in the open country.

Migration from the farm has continued in the 1960's. Today it is estimated that farm population has dropped to around 14.3 million persons and that the rural nonfarm population may have risen to about 40 million.

In 1950, about 2,400 counties were entirely or primarily rural in their population. The 1960 census showed that three-fifths of these counties had declined in population, because of migration to other areas. In 1960, only 353 rural counties, or 15 percent of the total, had enough economic development to absorb all of their natural population increase and possibly to attract migrants from other areas.

Between 1950 and 1960, most towns under 2,500 lost population, and most towns from 2,500 to 10,000 people increased only slightly.

By contrast larger urban centers grew rapidly. From 1950 to 1960, some 300 metropolitan counties accounted for 85 percent of the population increase. Fifty of these metropolitan counties had half of the nation's total population growth.

Seventy percent of the nation's people were urban in 1960, compared with 64 percent in 1950; 57 percent in 1940; and 56 percent in 1930.

Between 1930 and 1960, total rural population dropped from 44 percent of U.S. population to 30 percent; and in 1960 farm people numbered only 8 percent of the U.S. total.

Agriculture

With the application of science and technology and the ingenuity and hard work of farm people, American agriculture has become amazingly productive.

Today, one farm worker grows 124 percent more food, fiber, and other products per man hour than he did in 1947-49. He produces enough food and fiber for 27 people, compared with 14 in 1947-49.

Other major changes came with science and technology. One was the already mentioned sharp drop in farm population. The family farm became larger, more highly capitalized, and more specialized. Farming also became, in many instances, a part-time business in which the farmer or members of his family depended on off-farm work for a large share of cash income.

Farms have grown in size (from 177 acres in 1942 to 232 acres in 1952, and to 316 acres in 1962), but farming remains mainly a family business.

In 1959, there were 3.7 million farms in the United States. Of these 95.7 percent were family farms. The most rapidly expanding segment of American agriculture is the family farm with \$10,000 or more worth of annual sales.

Family farms are prominent even among the very large farms. They made up 47 percent of the 80,000 farms that had \$40,000 to \$99,999 worth of marketings; and more than 11 percent of the 20,000 farms with more than \$100,000 worth of annual marketings.

Agriculture has become one of the higher-capital-using industries. For example, average investment in production assets per farm worker in 1962 was \$23,259; the average investment per farm was \$47,632.

The production investment per farm in 1962 was nearly 8 times that of 1940, and double that of 1952. Some other years for comparison:

<u>Year</u>	<u>Per farm</u>	<u>Per farm worker</u>
1940	\$ 6,119	\$ 3,327
1950	17,193	9,430
1955	25,523	13,713
1960	42,291	20,942
1961	44,128	21,872
1962	47,632	23,259

Agriculture's total assets on January 1, 1963, were \$214 billion -- up \$14 billion since January 1, 1961. The biggest part of the \$214 billion in assets was real estate -- \$144.5 billion. Non-real estate physical assets were valued at \$51.8 billion; financial assets at \$17.8 billion.

As farming became a higher capital-using industry, farmers became bigger customers for credit. They obtain most of it from private local sources.

Farm debt totaled \$29.3 billion January 1, 1963, up 15 percent from the \$25.5 billion total a year earlier. In 1953, farm debt was \$16.1 billion.

The farmer was squeezed between declining prices for most of the products he sold and rising prices for most of the things he bought.

Since 1947, farm output has increased 33 percent, farm production costs have climbed 63 percent, gross farm income has increased 18 percent, but realized net farm income dropped 25 percent.

Average national farm price of a bushel of corn was \$1.64 in 1947-49; in 1961 it was \$1.08. During the same period wheat dropped from \$2.14 a bushel to \$1.83; milk from 9.5 cents a quart to 9.1 cents; eggs from 46.6 cents a dozen to 35.4 cents; hogs from 21.9 cents a pound to 16.6 cents; potatoes from 2.5 cents a pound to 1.4 cents; broilers from 32.1 cents a pound to 13.9 cents.

During this same period the cost of a 35-horsepower tractor rose from \$2,100 to \$3,080; a 14-inch, two-bottom plow from \$196 to \$306; a 12-foot self-propelled combine from \$4,310 to \$6,700; common 8 penny nails from 11 cents a pound to 17.5 cents; portland cement from \$1.03 a bag to \$1.51.

With increased efficiency, American agriculture oversatisfied the wants of domestic consumers and the export market for some commodities, and surpluses built up.

At the same time, many needs for land and water resources went undersatisfied. More land is needed -- and is available -- for outdoor recreation, for timber, for grazing, for industry, and for other non-crop uses.

By 1980, it is estimated that all food and fiber needs of a greatly increased number of Americans and for a high level of export trade can be met from 407 million cropland acres -- 51 million acres fewer than were available for cropping in 1959.

But there will be a need for 23 million more acres in recreational use, for 18 million more acres in grassland, and a net of about 2 million more acres in forest.

These are some of the adjustments in land use which the newer Department of Agriculture programs are helping rural people, individually and as groups, to make.

Economic Opportunities

The rural economy has suffered because the rapid changes brought on by science and technology were not directed to produce more of the commodities and services most wanted by Americans.

Many small rural communities had virtually dried up before a concerted, nationwide effort was made to provide new economic opportunities. There was also a noticeable decline in rural educational, religious and community services that families have come to expect as a part of modern living.

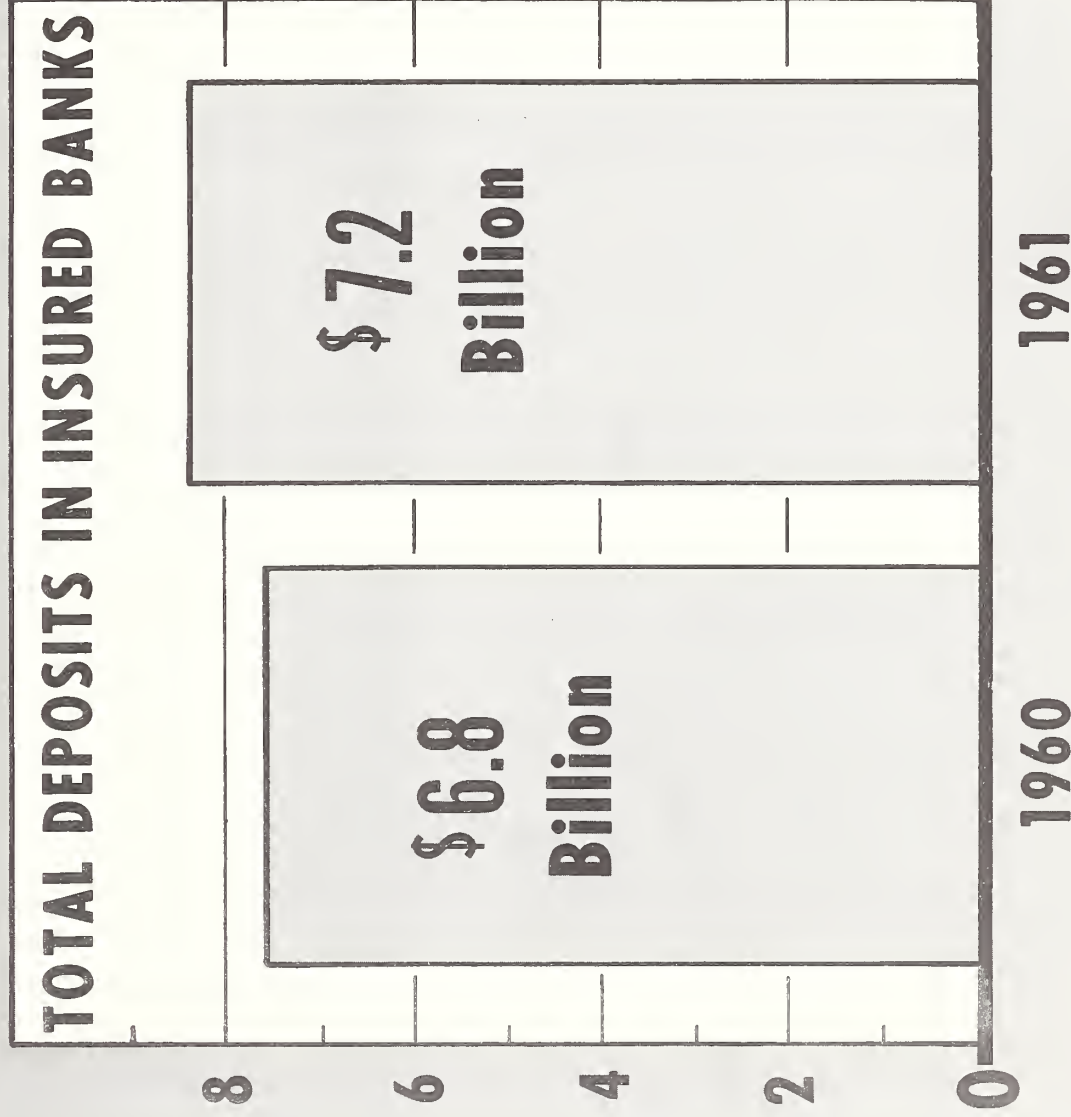
At least 8 million new jobs will be needed in the rural economy if rural America is to have full employment during the next decade.

At present, unemployment and underemployment in rural areas is the equivalent of 4 million unemployed annually -- 1.4 million on farms and between 2 and 3 million among rural non-farm people. In addition, 4 million new jobs will be needed in the next 10 years for rural youth.

Hence, today's people-oriented programs are aimed at economic development -- to create new industries in rural areas, to develop more of the outdoor recreation which Americans want and are willing to pay for, and to grow more of the agricultural products that Americans want and less of those they don't want or need.

The continued growth of the national economy is essential to these efforts for economic growth in rural areas. Rural America is as dependent on Main Street as Main Street is dependent on a prosperous farm and nonfarm rural population.

FARM INCOME REFLECTED IN BANK DEPOSITS OF 618 SELECTED AGRICULTURAL COUNTIES



Increases:
More than
\$400 million
between
May 31, 1960
and Dec. 31, 1961

Statement
of
The Secretary of Agriculture, Orville L. Freeman
before the
Senate Subcommittee on Agricultural Appropriations
March 21, 1963

Mr. Chairman, Members of the Subcommittee:

It is both a privilege and an opportunity to appear before this distinguished committee. I shall take this opportunity to set down the basic policy and program direction of this Administration for American agriculture.

We have all heard it said that "there is no answer...no solution to the agriculture problem." Usually it is phrased in terms something like this: "We have been trying to solve this thing with different kinds of programs for nearly 30 years, and we have just as many programs -- if not more -- as we had then. There just isn't any answer."

I don't agree with this at all. It sounds more like a man who, when asked to describe a tree he is looking at, tells his audience about the branch which is blocking his view.

I don't believe that American agriculture should be labeled a problem. Can we describe the output of an American farm worker, who provides food and fiber for 27 persons, as a problem? How can you label the feat of banishing the fear of hunger and starvation as a failure? The American people, spending only 19 percent of their income for food, eat better and cheaper than any people in history. We associate failure with problems, and

agriculture, rather than a failure, is this country's No. 1 success story. It is the envy of every other nation, especially those behind the iron and bamboo curtains.

This "blocked view"...this negative attitude comes, I believe, because we tend to view proposals to meet individual commodity situations as final solutions, and to measure the success or failure of an overall policy by what happens to a certain commodity program. Commodity programs are not, and will never be, final solutions in and of themselves. Such programs are needed because individual producers cannot make the adjustment as rapidly as required by the changes which science and technology bring to the farm economy. But individual commodity programs are only one part of agriculture, and we need to think of the overall goals we seek to reach as we work with each part that adds up to the great American agriculture complex.

I would emphasize, then, that we do not have an agricultural problem, but we do need to make many adjustments.

It is with this view that we have set our goals and formulated policies to reach them. Most proposals we have advanced have been controversial. This is to be expected since the changes in agriculture are coming rapidly and the resulting pressures and hardships create sharply conflicting opinions on what we should do. But controversy can be a healthy stimulant so long as we don't permit it to result in an impasse when action is needed.

The goals of this Administration are relatively simple. We seek to preserve and strengthen the family farm system of agriculture because

it is the keystone to the world-shaking success of our food abundance. We seek for consumers a wide abundance of food at reasonable and stable prices. We seek to eliminate surpluses (not security and stabilization reserves) and end the unnecessary burden they place on taxpayers. We seek to assist in moving some cropland now producing crops in surplus to other more productive uses. We seek to make American agriculture more efficient, but in ways that will reward the farmer and not cut his income. We seek to develop economic opportunity in rural areas for those who live there -- and want to stay -- equal to that of the urban areas.

Policies directed toward these goals crystallize around two main program efforts -- the twin pillars on which prosperity in rural America rests. One pillar is the new far-reaching Rural Areas Development program which will bring new opportunities to those who live in rural America.

The other pillar is made up of the various programs, including commodity programs, developed to help the farmer get fair prices and fair income.

I will discuss commodity programs later in this testimony. However, at this point it is appropriate to emphasize that commodity programs must be flexible and pragmatic. They must be fitted to the special needs of particular crops. I know of no dogma or theory that spells out all the answers. Rather we must seek out the program that works in each situation. And we must be alert to the need for change and adjustment when conditions in our economy -- and around the world -- shift and change as they do with increasing speed in this modern age.

Let me turn now to the major topic of my presentation, Rural Areas Development -- the dynamic new program we are forging as an instrument to infuse new opportunity in the rural community...the second pillar supporting a prosperous rural America.

This subcommittee is well aware of the rapid changes taking place in rural America. There are fewer farmers today. Many small rural communities have virtually dried up and there is a noticeable decline in educational, religious and community services in rural America that families have come to expect as a part of modern living.

In recent years, we have used so much land for the production of crops that we have oversatisfied the Nation's need for food and fiber. That oversatisfaction is now stored in grain bins and warehouses...at the taxpayers' expense.

At the same time we know there are many needs for land and water resources that are undersatisfied. We need more land for outdoor recreation, for timber, for grazing, for industry, and other non-crop uses. We have an undersatisfied demand for open space for green areas around cities and metropolitan areas -- open spaces to look at and breathe in, to climb on, or walk through or just to meditate in.

The following table indicates our best current estimates of the approximate magnitude of needed land use shifts.

Needed Shifts in Major Land Uses, 1959-80

Land use	Used in 1959	To be shifted to other use	To be added from other uses	Net change	Projected use in 1980
(Millions of acres)					
Cropland	458	68	17	- 51	407
Grassland pasture and range	633	30	48	+ 18	651
Forest land ¹	746	32	27	- 5	741
Recreational	62	0	23	+ 23	85
Farmsteads and farm roads	10	0	0	0	10
Special purposes uses ²	85	0	26	+ 26	111
Miscellaneous other land	277	11	0	- 11	266
Total	2,271	141	141	0	2,271

¹ Commercial and noncommercial forest land exclusive of 27 million acres of forest land limited primarily to recreation or wildlife use in 1959 and 34 million acres in 1980. Combined forest land acreage is 773 million acres in 1959 and 775 million acres in 1980 or a net overall gain of 2 million acres.

² Urban, roads, military reservations, water supply reservoirs, etc.

The family farm is becoming larger, more highly capitalized, and more specialized. Farming also is becoming in many instances a part-time enterprise in which the farmer or his family depend on off-farm work for much cash income.

But the opportunities for non-farm jobs in rural areas are not adequate today. Department economists estimate the present unemployment and underemployment in rural areas is the equivalent of 4 million unemployed annually -- 1.4 million on farms and between 2 and 3 million among rural non-farm people. In addition, 4 million new jobs will be needed in the decade ahead for rural youth.

Thus, about 8 million new jobs will be needed to eliminate underemployment and unemployment in rural areas. The factors which give rise to this situation are not unique to the farming economy. We see much the same problem today in the factories and shops of industry where automation is creating technological unemployment.

Mechanization on the farm and automation in the factory are products of the same forces...science and technology. In industry each month, it is reported 150,000 men and women are being replaced by machines as the process of automation grows. In agriculture, mechanization is a major reason why one farmer today produces as much as four farmers did in 1910. One of the effects of this can be seen in the underemployment in rural America which is now the equivalent of 4 million unemployed -- 1.4 million on farms and between 2 and 3 million among rural non-farm people.

Now many people will tell you there are too many farmers...and say "send 'em to the city." I do not agree...most emphatically, I do not agree.

Any attempt to improve the conditions of farmers remaining on the land by hastening the outmigration to the cities would merely add to problems of unemployment unless we can, at the same time, substantially step up the growth of our industrial economy.

In addition, while it is obvious that some people are going to continue moving from rural to metropolitan areas, it should not be public

policy to stimulate that trend. Our public purpose is to enable people in rural America to have equal job opportunities in their community or area, rather than allow rural poverty to determine whether they go or stay.

For the worker whose job is taken by a machine, the chance for a new job rests with a more rapid expansion of industry. The President's tax reduction program courageously attacks this threat to our national progress and well being. All America will benefit from this program to stimulate our economy and get it moving ahead more rapidly.

For the person who lives in rural America, this tax stimulant will also be important. When it combines with the thrust of the RAD program to create new job opportunities in the rural community, the stimulus will be very powerful.

It is a major new thrust and new direction in national agricultural policy charted by new laws which Congress enacted and by new emphasis from Executive actions. It blends new programs with present programs to focus all available resources to serve locally initiated and locally determined activities.

It seeks to fulfill several high priority national goals:

1. To give direction, purpose and hope to rural America as it adjusts to rapid changes;
2. To readjust the rural land use patterns, making more land available for the increasing needs of outdoor recreation and open spaces, while decreasing cropland acres;
3. To fully protect and develop the Nation's renewable resources of soil, water, forests, fish and wildlife, and open spaces;

4. To encourage more rapid rural industrialization and expansion of commercial enterprise in rural areas to provide new employment and other non-farm economic opportunities;
5. To eliminate the causes of rural poverty;
6. To strengthen the family farm pattern of American agriculture, insuring an efficient and productive source of food and fiber in a way that increased efficiency does not bring less income to the producer;
7. To establish a reservoir of experience which the developing nations of the world -- largely rural and agrarian -- can adopt. It will be a constant reminder that democracy and the free enterprise system can solve the problems of rural poverty and provide the techniques for rapid economic growth.

None of these goals will be achieved overnight nor fully accomplished within this decade. But we have begun, and we must accelerate our rate of progress. The budget before your Committee provides a modest speed-up in the established rural areas development programs combined with a pilot project approach for the newly established programs.

These goals are set in the framework of two fundamental principles:

First, constructively shaping change requires that we move economic opportunity into rural areas instead of moving people forcibly from the country through government action or planned depression. Second, we must use land, and not idle it. I am, and I believe all people concerned with agriculture are, impatient with such terms as diverted acres...cropland reserve...idle acres...and soil bank.

Resources must be used in ways that conserve...and serve the real needs of all people. Our challenge is to bring those resources and that need together on a sound economic basis.

Rural Renewal Projects

One new approach to rural areas development is found in the rural renewal projects, authorized by Section 102 of the Food and Agriculture Act of 1962. These projects could well become in time the major effort by which local rural areas are aided by Federal and State governments in eliminating the causes of rural poverty where it is the most prevalent.

The areas most resistant to change are those where we find the greatest poverty. Many areas of the Appalachians, the Ozarks, and some Northern areas of the country, including the northern part of my own State of Minnesota, are examples. Resources are limited, usually because of past exploitation, and those who live there are older on the average and have skills no longer in great demand. Community facilities are inadequate. There are fewer roads, poor schools, and insufficient hospital facilities.

Similar conditions in our cities produced the impetus for an urban renewal and slum clearance program 20 years ago. This program is based on the premise that with help, local government could clear away slums and develop new uses for the land. Billions of dollars have been spent in such projects, and urban slums are yielding to progress with increasing speed. Today we can see parks, public and commercial buildings, new industry and great housing complexes replacing those slums. The success of urban renewal depends upon local leadership, operating through local government with the power to receive money, to tax, to own and sell property, to condemn -- in other words, the power and resources necessary to act in partnership with the Federal Government which contributes both technical services and capital through loans and grants.

If we are to erase the causes of rural poverty and shake loose the entrenched barriers to progress in severely distressed areas, we are going to have to think and act as big as we did 20 years ago when we attacked similar problems in the city.

For the first time in the Nation's history, rural renewal projects are now authorized for rural areas. A small initial budget has been requested for next fiscal year to enable us to make a start in up to four pilot projects. In these early projects we frankly expect to be feeling our way to learn the special techniques which will be needed in rural areas.

We already have evidence of strong interest in State governments. In Arkansas, the legislature has enacted, and the Governor has signed, new legislation authorizing local rural renewal programs such as those discussed in Attachment A. Other states, New Mexico and New Hampshire, for example, are studying similar actions. Many states, in addition, provided broad enough authority when they enacted urban renewal legislation to apply to rural renewal needs.

A more detailed description, with specific illustrations, of a rural renewal project is presented in Attachment A, which we will submit to the committee later this week.

Cropland Adjustment Program

Section 101 of the Food and Agriculture Act of 1962 authorizes long-term agreements to help farmers substitute wildlife and recreational uses on land producing wheat, feed grain or other crops now in surplus.

Through the long-range land use adjustment program, we can help farmers shift from overproduction of crops. It will be operated in conjunction with a full scale Great Plains Conservation program. We anticipate that cost-sharing will be provided for required installation and new practices. Technical assistance will be provided to help establish and carry out long-

range farm plans. For any temporary drop in farmer income which might result, we will make transitional agreements to fill the gap. A description of the 1963 pilot program and a longer range projection is given in Attachment B, to be submitted later.

Resource Conservation and Development Projects

Another new program to help create better balanced land use can be found in the resource conservation and development projects authorized under the provisions of Section 102 of the Food and Agriculture Act of 1962.

The potential of this new approach is very promising. It can provide financial and technical resources to enable a number of farmers to join together to adjust their land use pattern.

A pilot project could team a soil and water conservation district with a sportsmen's club, or the residents of a particular subdivision or precinct, or a consumer cooperative to develop outdoor recreation facilities. The city residents could acquire the use of a wide array of outdoor recreation facilities which they want and need, while the owners of rural acreage are assisted in converting their land to new uses which also will increase their income through tapping a new source -- recreation.

The budget before your Committee provides for a small pilot operation to develop the best techniques to carry out these projects. We have discussed this new program with many of the national conservation, sportsmen, and wildlife groups and we are most gratified by their enthusiastic support. Many local groups already are surveying land and water resources and developing plans to create new uses for rural lands which will provide income-producing recreational facilities that urban groups are increasingly demanding.

A brief description of some of the possible applications we are exploring is presented in Attachment C, to be submitted.

Watershed Protection Projects

One of the more important programs helping to revitalize rural America is the Small Watershed Program. Last year, the Congress amended Public Law 566 to authorize Federal sharing of up to 50 percent of the cost with local organizations for acquiring lands for upstream reservoir and adjacent public recreational areas. The amendment also permits the same cost-sharing for recreational facilities such as beaches, boat ramps, access roads and water and sanitary installations. Federal loans are also available for the local share of these costs.

Another amendment permits the inclusion of municipal or industrial water supply for future use in upstream reservoirs. Repayment of costs may be deferred by the local organization for up to ten years during which no interest is charged.

With this action, water impoundments within a watershed can become the hub from which the spokes of economic activity radiate to invigorate the economy of hundreds of communities throughout rural America. Water attracts tourists...and two dozen tourists a day equal the spending power of a plant with a \$100,000 yearly payroll...and water often is the critical element in the location of new industry which brings new jobs and new dollars to spend.

The Small Watershed Program began in 1953 primarily as a means of preventing upstream flooding. Over the years the Congress has added irrigation, drainage, fish and wildlife preservation, recreation and municipal and industrial water supply as purposes to qualify for Federal assistance.

No program in the Department has had such universal response from the grass roots. In eight years nearly 3,000 local organizations have submitted applications for assistance on more than 1,850 watersheds. More than 200 pieces of legislation have been enacted in 43 States to facilitate this program. I am especially proud that Minnesota enacted a Water Resources Act while I was Governor.

States are rapidly increasing the appropriations for this program. This year 29 states are making available \$2 million for planning assistance, and we estimate these budgets will increase to \$2.5 million in 1964. I regret that budget pressures have forced the Federal Government to hold its planning assistance static for three years. In that time a backlog of 1,000 unserved applications has developed. They represent an area as large as the States of Mississippi, Kentucky and Illinois combined. However, we no longer limit the funds that States can make available to supplement Federal funds for planning. And we also are authorized now to provide matching funds for public facilities and loans for easements to preserve land in and around water impoundment for future use.

Local people and local government still bear a very large share of the cost of the Small Watershed Program. For example, local people have already bought or contributed 8,600 easements valued at \$11 million for reservoir structures.

Plans and proposals to implement new legislation are detailed in Attachment D, to be submitted.

Federal Farm Loans for Recreation, Fish, Forestry Enterprises

Title IV of the Food and Agriculture Act of 1962 expands the ability of the Department to assist individual farmers and groups of rural residents

to develop new sources of income. Under it, the Farmers Home Administration can provide credit and technical assistance for on-farm or community public recreation projects, fish farming and other activities which create new uses for cropland. Last year, a new program of loans for farm forestry was begun, and by March 1, 36 loans in 16 States had been approved. Early interest in this program has centered in the Southeastern States, with Georgia and Alabama each having approved more than \$50,000 in loans.

We have been amazed by the interest the public has shown in the new recreation loan program. Over 5,000 requests for information have been received and answered. This interest bodes well for the success of this approach to outdoor recreation development as a means of stimulating the rural economy. Sales of equipment, use fees, rentals and wages will add to the incomes of farm families and others in rural areas.

I am submitting attachments detailing plans and programs in addition to a number of pamphlets we have prepared in the Department on various aspects of the particular program.

Other New Programs Also Contributing to RAD

In addition to these broad new programs which I have mentioned here, there are a number of other newly authorized activities which form the material with which we are building a new framework of opportunity in rural America. I would like to describe some of them for you briefly.

Rural Housing

A major advance in meeting rural community needs is in the field of housing.

Housing for farm families, families who earn most of their income in off-farm work, the elderly in rural areas and migratory farm labor always has been a serious, indeed, a crying need in the U. S. At present

1.5 million homes on farms and in small towns are so dilapidated they endanger the health and safety of families living in them. Another 2 million rural homes need major repairs.

The Housing Act of 1961 authorized the Department to extend housing loans to non-farm families in rural areas. In 1962 the rural housing program was broadened to include housing for the elderly. If adequately funded, the expanded program will eventually solve the rural housing problem.

Last fiscal year \$96 million were loaned for rural housing. This year the amount is expected to double. Currently there is a backlog of 12,600 applications for rural housing loans, and the farm labor and elderly housing programs are just getting under way. The damage to homes in rural Kentucky, Virginia, Tennessee and West Virginia by recent floods will add to the need for housing loans.

An expanded housing program will not only help alleviate one of the easily recognized conditions of impoverished rural areas, it also will create new demands for labor and material...thus stimulating new jobs and increased economic activity.

Food Stamps

A low income family in rural America can be just as hungry as a low income family in metropolitan areas. While much of the attention focused on this highly successful program has come from the pilot projects in metropolitan areas, we have given equal weight to testing this program in rural areas. Last year the program was expanded to 48 projects balanced between rural and urban areas.

We are proposing this year that the program be placed on a permanent basis under separate authorization and with separate appropriations, and to be phased from its current financing arrangement under Section 32 funds over a period of two years.

We have found that this program provides a better diet for the needy, it does not require a separate distribution system as does distributing food directly, and it stimulates a higher level of purchases...and of economic activity. This is the condition we seek to create through RAD.

Rural Industry and Commercial Enterprise

The Department, in cooperation with Small Business Administration and the Department of Commerce, has begun a special program to encourage new and expanded industry, research and commercial enterprises in rural areas. It combines technical assistance, credit counseling and loans.

To assist in bringing this program into rapid operation, I have asked the local REA cooperatives to take the initiative in rural areas to encourage industrial development. They have responded magnificently.

Since July 1, 1961, with the help of local electric coops it helped launch or expand 402 industries and businesses. More than 50,000 new jobs in rural areas will be generated in these new businesses.

Of these 402 new or expanded businesses, 83 are directly related to farm processing and sales of farm products and 28 involve forestry products. There are 21 commercial recreation projects. The remaining 270 are a wide variety of industries and businesses.

Of the 402 projects, 284 are entirely new and 118 are expansions.

The following tabulation of financing sources indicates the complex technical job of combining credit counseling and loan making that is done:

--21 of the projects received part of their financing from

ARA for a total of approximately \$10,600,000.

--23 of the projects received part of their financing from

SBA for a total of approximately \$2,600,000.

--33 of the projects received some financial help from REA

borrowers which totaled approximately \$1,600,000.

-- At least 191 of the 202 projects received financing from banks and other private or state or local sources other than the Federal Government. That total from these sources involved in the 202 projects was approximately \$135,750,000.

-- Borrowers reported that 8 of these reported projects were partly financed with Section 5 funds for a total of \$561,068.

Less than 1 percent of the financing for these projects came from Section 5 funds. REA has loaned about \$1.2 million in Section 5 funds on 14 industrial and commercial projects. It represents only 30 percent of the financing with the remainder coming from other sources. Altogether, federal funds have played a relatively minor role -- more as "seed capital" than anything else. It is important to have it available to fill occasional credit gaps, but it is not a financing source to compete with other available sources.

I want to emphasize here that REA is giving full attention to all rural areas. Only recently I read a report of an area in Pennsylvania where the REA coop helped locate 4 new industries -- all served by private power sources.

Industrialization in rural communities will have small beginnings, but, as in Wautauga, North Carolina, Culpeper, Virginia, or Tupelo, Mississippi, we have found that after the first step, others follow more quickly. At Culpeper, a new watershed development led the way to three new industries. In Wautauga, new recreational facilities, new industries and emphasis on tourism have led to a complete economic revival. And in Tupelo, a long time downward trend in population has been reversed, through the introduction of new industrial establishments.

Some 2,000 counties have underway the development of over 4,000 projects of the type that led to the renaissance of these communities. Conservatively, we estimate these projects will develop at least 60,000 new direct jobs.

And each new employee means new purchasing power. The ten cent store, the hardware store, the barbershop, and the grocery store will be busier. New deposits will appear in the banks. More gasoline will be sold.

Most important, people -- the young people -- about ready to leave the area will take another look and some will decide to stay.

Other Federal Agencies Cooperate in RAD

Area Redevelopment Administration

In establishing the Area Redevelopment Administration, the Congress provided funds for loans and grants to stimulate industrial and commercial development, for needed public facilities, and for teaching people new skills.

There were some 800 rural counties designated to be eligible for this assistance, and the Department has assumed new responsibilities in administering this portion of ARA. Since the program got underway in the fall of 1961 over 400 applications for assistance have been received from these rural counties. About two-thirds of these have been for industrial or commercial loans and one-third for community facilities. In addition, more than 150 requests for technical assistance grants to make feasibility studies, market surveys, or analyses of economic development potential have been submitted. A total of 159 training projects also has been approved for rural areas under the Area Redevelopment Program.

Manpower Retraining

In addition, many rural areas are already utilizing the training services available under the Manpower Development and Training Act. Under this Act, rural people with income of \$1,200 and under are considered unemployed and eligible for the subsistence payments and other benefits.

Accelerated Public Works

More than 5,000 unemployed persons in rural areas were put to work in the National Forests the first week funds were available under the Accelerated Public Works Act. Between 8,000 and 9,000 were at work in the forests during the last two months of the year. In some areas as many as one-third of the people employed came from the relief rolls. The work being done includes improvement of timber stands, development of camp and recreation areas, construction of timber access roads, and improvement of wildlife habitats. There are, in addition some 140 APW projects in state forests. Altogether, the Department is administering accelerated public work projects with some \$34.8 million.

New Programs Blended With Reoriented On-Going Programs

Up to this point, in my statement, Mr. Chairman, I have been discussing the Department's Rural Areas Development Program as it has formed around new legislation. I should like to turn for a moment to the on-going programs of the Department and discuss with you how they are contributing to the goals for RAD.

Conservation

The conservation of our land and water resources is as urgent now as ever. They represent the major resources which support rural America, and on which the new rural development programs will depend.

The need for acceleration of the application of conservation measures to land is evident at every hand. Over 98 percent of privately owned rural land is affected by one or another of the major conservation problems that limit land capabilities.

Many of the Soil Conservation Districts have entered into a new basic memorandum of understanding with the Department in recent years to enable these districts to modernize their programs and work plans.

I strongly recommend that you approve the modest increase recommended by the President for the Soil Conservation Service to use in assisting the districts in their work. Soil Conservation District organizations are supplying, in addition, much of the knowledgeable local leadership for the rural areas development program and the district work is an integral part of resource development.

Forest Conservation and Development

Appropriations for the Forest Service, I know, do not come within the purview of your Subcommittee, but I would like to call attention to the fact the rural areas development is in large measure dependent upon the proper utilization and development of our woodlands. Management of farm forests and the far-flung National Forests are both important. Income for many areas in the western states is increasing through recreational use of forest resources, and there is a growing need for more intensive forest management to keep up with an exploding public demand for recreation. Recreation visits since 1957 have climbed from nearly 60 million to 112 million in 1962.

Great Plains Conservation Program

Another on-going program of the Department contributing to rural areas development is Great Plains conservation, now in its fifth year of operation. It anticipated the Department's long-term objectives to fill other needs -- urban growth, recreation, grass and other non-crop uses-- for cropland. Of the approximately three million acres of cropland now covered in Great Plains conservation program contracts, almost one-fourth have been involved in a conversion of crops to some other use. Further detail concerning this program is in Attachment F, to be submitted.

River Basin Surveys

A highly significant advance we have made this year is the establishment of coordinated joint planning of the budgets for river valley basin surveys.

At the request of the Bureau of the Budget, representatives of the Department participated with representatives of the Corps of Engineers, Bureau of Reclamation and Public Health Service, under the Chairmanship of the Department of Interior, in a first effort of its kind to develop coordinated river basin planning budgets for the fiscal year 1964. The results of this effort reflect a minimal initial participation by this Department in various of the forthcoming comprehensive river basin surveys. A need may be expected for substantially larger amounts in subsequent years to continue this participation on an adequate basis.

Organizing for RAD

At this point I would like to outline what we have done to organize the Department for the long time job ahead in rural areas development and conservation. First, I want to describe the effective job which the Cooperative Federal Extension Service and the Land Grant institutions are doing in helping local communities to organize rural area development committees.

As I have stressed throughout this statement, the success of RAD rests entirely in the hands of the local leaders in each area. Federal and State government is, at most, a junior partner in this operation.

Local leadership will make or break RAD...for local leadership has always determined whether a community grows or declines. Only in rare instances has a community prospered in spite of itself.

Local leaders must be willing to give their time and effort to affairs that affect their community...and by local leaders I mean representatives of business and church groups, labor organizations where they exist, farm groups and civic groups with a vital interest in ways to make the rural economy grow.

The measure of how local leaders have responded to the efforts of the Extension Service and the Land Grant institutions can be seen in the 50,000 rural and town leaders who are now participating in various RAD activities. About 2,000 rural counties and areas have organized RAD committees. About 675 of them have completed their initial development plan...and 700 more are in process.

Our program rests on these RAD committees. Obviously their resources are limited, and they need help. To provide a maximum of technical assistance and counseling, we have organized USDA field personnel in these areas into Technical Action panels. We have directed these panels, made up of the local FHA supervisor, soil conservationist, forester, ASCS representative, and others, to assist the local RAD committees in every possible way.

Quite frankly, the greatest weakness of the whole RAD program lies in this area. The Department's field personnel have many other responsibilities which require much of their time. In addition, they do not possess the necessary training or have all of the necessarily complex information which the techniques of economic development require.

Skilled technical people in this field are difficult to find. For one thing, there are not enough people trained to perform this function -- and if there were, there would not be enough money available to pay them.

We are, however, doing a fairly successful job. We can't wait because the people in rural America can't afford to wait.

Here in Washington, I have reorganized the program agencies most directly involved with the RAD program to place them under an Assistant Secretary for Rural Development and Conservation. He is John A. Baker, and he has the responsibility for direction and supervision of Farmers Home Administration, Soil Conservation Service, Farmer Cooperative Service, Forest Service, Rural Electrification Administration, and the Office of Rural Areas Development. He also serves as chairman of the Rural Areas Development Board, the Land and Water Policy Committee and of the public advisory committees for rural areas development, soil and water conservation policy and multiple-use of national forests.

The local and state Rural Areas Development Committees and technical action panels coordinate the several phases of the programs at their respective levels, assuring unified and concurrent action by all of the Department's agencies in each area.

At the national level, the Rural Areas Development Board, the Land and Water Policy Committee and the Office of Rural Areas Development coordinate the RAD activities with other agencies which have special program responsibilities, particularly the Agricultural Stabilization and Conservation Service and the Federal Extension Service. We are convinced that close coordination and continuous liaison among the several agencies involved will promote both effectiveness and efficiency in attainment of desired results.

All of the agencies of the Department contribute in one way or another to the general aims of rural areas development. Practically all of the new and on-going programs of Farmers Home Administration, Rural Electrification Administration, Soil Conservation Service, Farmers Cooperative Service and Forest Service are directly involved. Important programs or phases of the work of Agricultural Stabilization and Conservation Service and Federal Extension Service are also directly involved. Agricultural Marketing Service and the research agencies also provide needed knowledge and technical service on specialized problems. Functional aspects of the rural areas development effort such as encouragement of rural industrialization, emphasis on income-producing outdoor recreation enterprises on privately owned rural land, and encouraging better rural community facilities will cross agency boundaries. Moreover, not all of the Federal programs that contribute to the success of rural areas development efforts are located within the Department of Agriculture. Several other Departments and Independent Agencies are involved.

We have sought to unify all of these services to respond effectively to the needs of local development and planning groups. To do so we have established administrative mechanisms to maintain necessary continuous liaison with other Departments of government and to provide close coordination among agencies within the Department of Agriculture.

Office of Rural Areas Development

The Office of Rural Areas Development is a small staff unit that functions something like a telephone switchboard with a curious operator. It reviews and analyzes program activities and makes sure the proper agencies are plugged into the right problem. It maintains contact with other Departments, and keeps their contribution to RAD flowing along the right line. It also does staff work for the policy boards under the Assistant Secretary. It draws its support from ARA and APW funds and from funds appropriated directly to the Department.

Strengthening the Family Farm

Thus far I have emphasized the vital new program we are developing within the Department to bring new opportunities to those who live in rural America. I consider this effort as one of the twin pillars on which prosperity in rural America rests.

The other pillar is a strong and viable family farm system of agriculture. In many areas it will always be the basic generator of healthy economic conditions. It will continue to increase in efficiency, but that increase should no longer come at the expense of a fair return to the producer.

We have seen in the past two years what improved farm income can do for rural America...and I think the facts show that all Americans have benefited in one way or another. As you know, gross farm income increased \$2 billion in 1961 over 1960, and last year was \$2.7 billion higher than in 1960. Net farm income has increased \$1.1 billion in 1961 and \$1.2 billion in 1962 as compared to 1960.

Recently, we made a survey of what happened when farmers were able to earn a little more income. The results are impressive. Farm families are planning to buy more home appliances, automobiles and other consumer items in addition to farm equipment and material.

Deposits in country banks at the end of 1961 had increased by over 6 percent. The value of farm machinery shipments during the first 9 months of 1962 increased 8 percent over the like period in 1961, an indication of improved sales. And farm equipment makers are reporting higher sales and higher earnings.

Unemployment in the industrial centers where farm equipment makers are located has declined on the average to levels which are much lower than the current national figure. In these areas, the rate of unemployment is about that which we would expect under conditions of full employment.

And during all this, food costs to the consumer have remained relatively stable...and in relation to income, food costs have declined to about 19 percent of the average family's spendable income...lower than at any time in history.

This progress has come because of actions taken by the Congress in 1961 and 1962. We are beginning to face some hard facts realistically ...and because what has been done represents only a fraction of the progress we should make, there is a clear need to continue to be realistic...and to act accordingly.

This committee is well aware that the other prime producers in the economy, by their control over supply, can create a workable relationship between supply and demand in the market...and so receive a fair return. The oil industry is a good example of this, as are the steel, automobile and chemical industries.

Agriculture has never been able to do this. Under these conditions the farmer...as has been true since the dawn of time...will not be able to compete successfully for his fair return on what he produces with increasing efficiency. The farmer today lacks muscle in the marketplace -- muscle which the rest of our highly organized society has and uses...to the farmers loss.

The RAD program over the long haul will move land and water resources which are presently producing food and fiber in excess of needs into other productive uses. In the process, new income will become available in rural America...and new needs will be met which will benefit urban America.

Some day there may be a balance. Then we will use land and water resources only to the extent necessary to produce food and fiber in the quantities which will meet all needs at a fair price. Then no longer will there be an excess quantity of farm products to depress farm income...and require high Federal expenditures.

This is the goal we seek to reach. However, we should be realistic and recognize that in our complex society a perfect balance for all commodities will be a rare occurrence. In addition, as the resource adjustment to new conditions takes place, the present imbalance for many commodities will continue. This means that we will continue to need commodity programs.

As to the kind of program, the question simply is: What will work?

This administration has no dogma, but only the belief that the family farm system should be strengthened. Our first preference in this effort is to use self-help programs where ever possible. One way is through the cooperative movement where farmers can join together to market what they produce and buy the equipment and material they need.

Next are the marketing orders of various kinds where farmers determine the conditions under which they will operate, and where the farmers run these programs with the Department sitting on the sidelines to guard the public's interests.

Next are the national programs of various kinds -- either voluntary or mandatory -- with or without acreage diversion payment . . . or production payments. The exact forms will depend on what will work . . . what is acceptable . . . in terms of public attitudes and taxpayer costs.

Last year we proposed a mandatory feed grain program. It would have worked . . . but the Congress would not accept it. Instead, the Congress provided a voluntary program similar to those proposed by the administration for the 1961 and 1962 crop years.

I am frankly delighted that the voluntary programs have turned out more successfully than expected -- although it is costing about \$600 million more this year than the mandatory program.

The key point is that feed grain stocks, as a result of the 1961 and 1962 programs, are down to about 60 million tons, and will provide savings over time of over a billion dollars. Already, we are budgeting \$150 million less this year than in 1962 for feed grain storage and other carry charges.

The key point is the voluntary approach is working...and it may work permanently at much more moderate costs now that we can anticipate the end of feed grain surpluses.

New dairy legislation is needed urgently. Taxpayer costs are running near \$500 million a year while the income of the dairy farmer has fallen by more than \$100 million. No definite, workable program with sufficient support for passage has come to the fore as yet. We hope that as the Congress progresses, some concensus will develop.

The present cotton program also presents problems. It now is being considered by the Congress. New proposals would provide payments to reduce the cost of cotton to U. S. mills and enable them to compete with foreign manufacturers who are now benefiting inequitably from our export subsidy. More acres could be made available to those willing to produce at world prices.

These proposals also would seek to improve the competitive position of cotton in relation to man-made fibers...and still maintain our competitive position in world markets. We hope that a broad enough concensus can be found to enact such a program.

Today is the third time I have appeared before this Committee. I start my third year as Secretary of Agriculture with cautious optimism. Significant progress has been made these past two years. There is today a greater public understanding of agriculture's importance...of its contribution to the national well-being...and of its needs.

I am pleased to report there will be 1.1 billion fewer bushels of wheat and feed grains in inventory and under loan at the end of the marketing year than we had at the same time in 1961. We are currently saving \$770,000 each day because of the reduction in grain stocks which are about one billion bushels below the peak levels reached in 1961. These savings will accrue each day of this year for the taxpayer. Next year, the daily savings will be higher. And in 1965, if the Congress provides new feed grain legislation...and the wheat farmers approve the 1964 wheat program in the referendum...these savings will mount even higher.

Net farm income in 1961 was \$12.8 billion, some \$1.1 billion higher than in 1960. Last year net farm income rose to \$12.9 billion, the highest since 1953, and some 10.3 percent above 1960. Per capita personal income of farm people rose nearly 14 percent from 1960 to 1962, reflecting a 17 percent increase from farm sources and about a 9 percent increase from non-farm sources.

It has meant that many farmers are paying off old debts. Some are again saving money, for bank deposits are up. It also has meant that farmers are buying more because, in the words of Barron's Weekly, farm equipment manufacturers had "two fat years" in 1961 and 1962.

We also are doing our job in the Department more efficiently today. In the case of the Agricultural Stabilization and Conservation Service, the agency most directly concerned with the farmer, we have revised downward the estimates of what we feel is needed to run the agency. In other areas, the budget requests reflect an increased level of services at less cost than we would have been required if we were using systems and procedures in effect even two years ago. I am attaching a statement which details this further. (Attachment H)

And all during this, food costs to the consumer have remained relatively stable...and in relation to income, food costs declined in 1962 to about 19 percent of the average family income.

There are many problems yet to be solved...and the answers are not easy. But I am confident that we will find those answers...and continue moving forward.

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COSTS and RETURNS



**Western
Livestock
Ranches**

1963

FARM COSTS STUDIES

This report is part of a continuing nationwide study of costs and returns on farms and ranches by type and size in some of the important farming regions of the United States. The study is conducted under the general supervision of Wylie D. Goodsell, Farm Production Economics Division, Economic Research Service. Objectives, methodology, procedure, and terms are uniform for all areas covered in the study.

The 1963 costs and returns studies have been conducted on the following:

- Commercial Dairy Farms, Northeast and Midwest.
- Commercial Corn Belt Farms.
- Commercial Egg-Producing Farms, New Jersey.
- Commercial Broiler Farms, Maine, Delmarva, and Georgia.
- Commercial Cotton Farms.
- Commercial Tobacco Farms, Coastal Plain, North Carolina.
- Commercial Tobacco-Livestock Farms, Bluegrass Area, Kentucky.
- Commercial Wheat Farms, Plains and Pacific Northwest.
- Western Livestock Ranches.

Summary statistics for all types of farms in the study are presented in a report, revised annually. The latest such report was published in 1963 and is titled: "Farm Costs and Returns, Commercial Farms, by Type, Size, and Location," Agriculture Information Bulletin No. 230, Revised, 1963.

Information on the studies can be obtained from Farm Production Economics Division, Economic Research Service, U.S. Department of Agriculture, Washington, D.C., 20250.

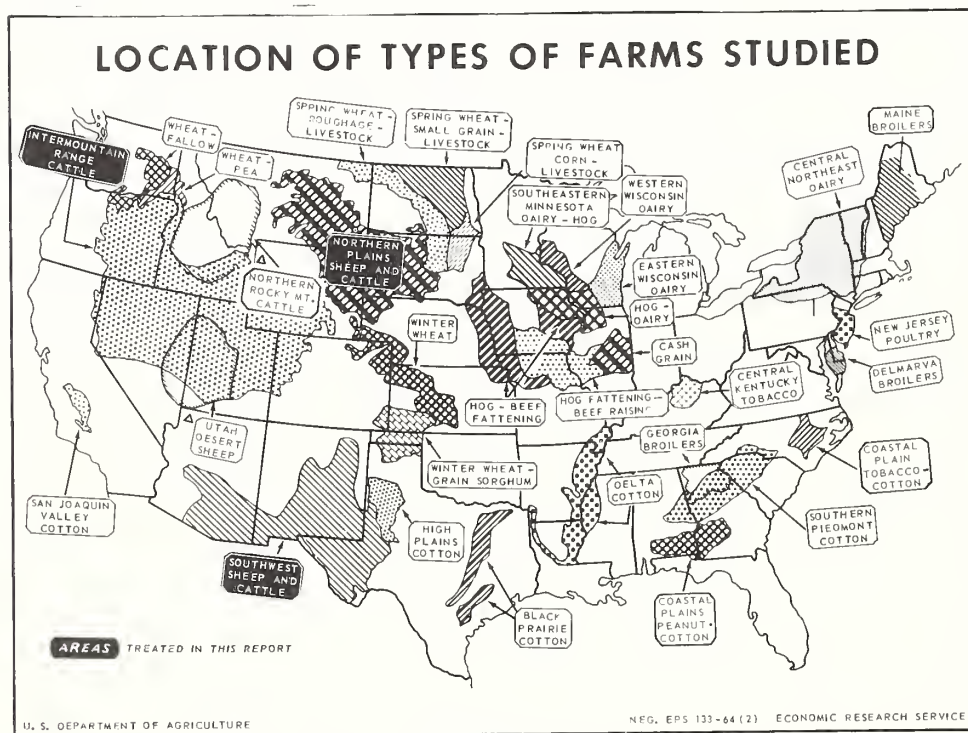


Figure 1

COSTS AND RETURNS

WESTERN LIVESTOCK RANCHES, 1963

Wylie D. Goodsell and James R. Gray¹

SUMMARY

Operations in 1963 on typical Western livestock ranches in 3 widely separated areas showed considerable variation (fig. 1). Changes in net ranch income from 1962 to 1963 ranged from a 25-percent increase on sheep ranches in the Northern Plains to a decrease of 38 percent on Southwest cattle ranches. Both cattle and sheep ranches in the Northern Plains showed increases from 1962 to 1963 in net ranch incomes whereas both cattle and sheep ranches in the Southwest showed decreases (fig. 2). Net ranch incomes in 1962 and 1963 for these typical Western livestock ranches were as follows:

	<u>1962</u>	<u>1963</u>	<u>Percentage change from 1962 to 1963</u>
Cattle ranches:			
Northern Plains	\$ 7,252	\$ 7,540	4
Intermountain	11,936	9,838	-18
Southwest	8,237	5,081	-38
Sheep ranches:			
Northern Plains	10,404	12,961	25
Southwest	7,855	5,926	-25

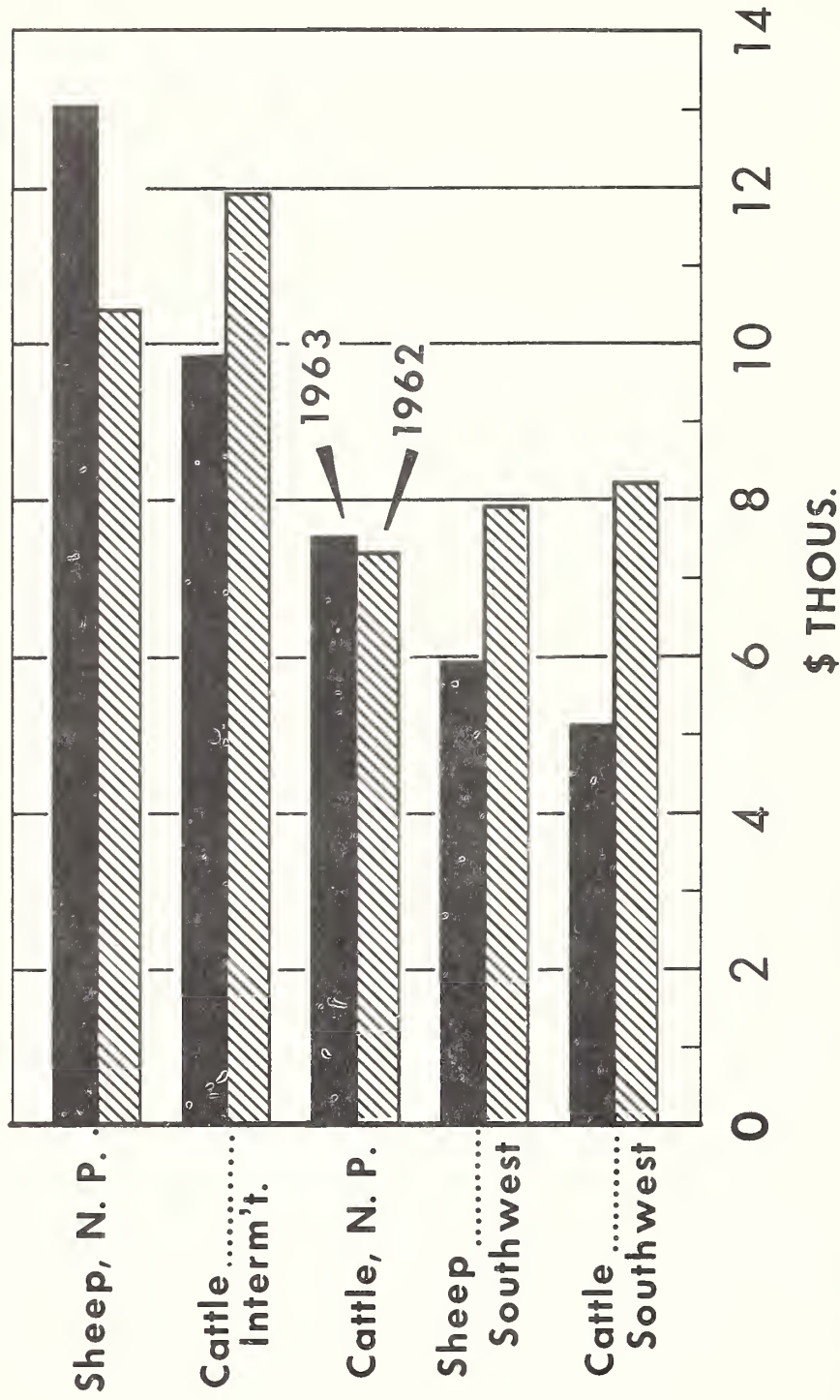
Important factors contributing to changes in net ranch income were drought and output of range, prices received for livestock (particularly cattle), and prices paid for production items (particularly hay). A favorable combination of these factors in 1963 was helpful to sheep ranchers in the Northern Plains but cattle ranchers in the Southwest experienced an unfavorable combination of them.

In 1963, cattle ranchers in the Southwest were plagued with drought and poor output of range. Animals were light in weight at market time and were sold at relatively low prices. Ranchers also paid relatively high prices for hay. In contrast, range conditions and range output were unusually good in 1963 in the Northern Plains. Feed was plentiful; wool clip and wool prices held up well; and although lamb prices were lower than in 1962 they declined relatively less than cattle prices. Lamb crop percentages in the Northern Plains in 1963 were also higher than in 1962 whereas calf crop percentages in the Southwest were lower in 1963 than the year before.

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NET RANCH INCOME

Western Livestock Ranches



U. S. DEPARTMENT OF AGRICULTURE

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Figure 2

CATTLE RANCHES

Northern Plains

With 2 successive years of favorable moisture conditions, Northern Plains cattle ranchers achieved spectacular production in 1963 (table 1). Two favorable years in succession affect livestock and overall ranch production much more favorably than 2 single years of favorable moisture separated by an unfavorable year. Livestock conditions, birth rates, and livestock weights are much improved and death losses are lower with 2 successive years of good range. All these factors were improved from 1961 and 1962 to 1963.

Much of the gain in production on Northern Plains cattle ranches in 1963 was offset by lower prices received for cattle and other products. In 1963, cash receipts from the sale of cattle and calves were down more than \$1,200 per ranch from 1962. Approximately 73 percent of this decline was due to lower prices received for cattle and calves. Lower prices received for cattle along with favorable range conditions caused many ranchers to delay selling calves and yearlings beyond the normal marketing period. Inventory numbers reached a record high in 1963. Some ranchers held unusually high inventories of hay. Because supplies were plentiful, some ranchers sold small quantities of hay, whereas they would normally buy hay. Crop receipts were higher in 1963 than in 1962, despite lower prices for wheat and hay.

Cattle ranchers in the Northern Plains loosened their belt-tightening policies of the last 2 years and purchased moderate amounts of new machinery, motor vehicles, and

improved ranges. Also, because livestock prices were lower, and feed and range conditions were favorable, operators put out considerable outlay for livestock replacements. Total cash expenditures in 1963 were 14 percent higher than in 1962. Total cash receipts per ranch were lower in 1963 but net ranch incomes were slightly higher mainly because of a large inventory gain. With a moderate increase in charge for capital, the returns per hour to operator and family labor again exceeded \$1.00.

Summary index numbers portray the mixed conditions prevailing on livestock ranches in the Northern Plains in 1963. All production indexes advanced--some spectacularly. Cost per unit of production was less in 1963 than in 1962. Net ranch income remained near the 1962 level despite a 19-percent increase in net ranch production. Prices received decreased 13 percent and prices paid remained unchanged from 1962.

Intermountain Region

Net ranch incomes in 1963 on typical Intermountain cattle ranches averaged about 18 percent lower than in 1962 and were the lowest since 1960. They were approximately 14 percent lower than the 1957-59 average. Lower returns in 1963 resulted from a combination of factors such as lower prices received for calves and other cattle sold, slightly higher prices paid for items used in production, poor range conditions prior to marketing time, and lower net ranch production.

In 1963, the overall index of prices received for products sold

Table 1.- Costs and Returns, Western Cattle Ranches, 1962 and 1963

Item	Unit	Northern Plains		Intermountain region		Southwest	
		1962	1963 <u>1/</u>	1962	1963 <u>1/</u>	1962	1963 <u>1/</u>
Land in ranch.....	Acre	4,410	4,430	1,755	1,760	11,250	11,300
Livestock on ranch:							
All cattle.....	Number	130	142	284	290	232	236
Cows and heifers, 2 years old and over.....	do.	91	94	145	150	151	154
Calf crop.....	Percent	86	87	84	84	82	81
Total ranch capital, Jan. 1.....	Dollar	83,510	89,260	89,910	95,550	154,700	179,190
Land and buildings.....	do.	50,660	52,830	37,730	39,780	126,640	139,390
Livestock.....	do.	21,900	25,510	41,190	45,110	31,510	32,860
Machinery and equipment.....	do.	7,830	7,730	6,190	6,530	4,830	5,330
Crops.....	do.	3,120	3,190	4,800	4,130	1,720	1,610
Total cash receipts.....	do.	10,554	10,086	17,285	15,863	16,296	12,525
Crops.....	do.	871	1,648	0	0	0	0
Cattle.....	do.	8,914	7,706	17,100	15,687	15,796	11,893
Other livestock and livestock products.....	do.	409	432	41	30	130	342
Other, including Government payments.....	do.	360	300	144	146	370	290
Value of perquisites.....	do.	1,091	998	834	836	1,057	895
Inventory change:							
Livestock.....	do.	1,975	3,353	863	562	567	1,647
Crops.....	do.	479	580	47	199	-27	269
Gross ranch income.....	do.	14,099	15,017	19,029	17,460	17,893	15,336

Total cash expenditures.....	Dollar	6,382	7,277	7,322	7,821	10,528	10,410
Feed and grazing fees.....	do.	498	301	818	1,269	1,198	2,135
Livestock purchased.....	do.	1,015	1,665	507	431	2,544	2,125
Other livestock expense.....	do.	135	151	104	108	151	158
Crop expense.....	do.	49	65	114	127	7	10
Machinery purchased.....	do.	1,181	1,440	1,492	1,518	1,583	1,315
Other machinery expense.....	do.	1,410	1,457	1,386	1,379	1,346	1,374
Ranch buildings and fences.....	do.	450	530	235	240	1,300	900
Labor hired.....	do.	370	574	1,151	1,148	851	742
Taxes.....	do.	950	842	1,376	1,460	1,041	1,147
Other.....	do.	324	252	139	141	507	504
Inventory adjustment:							
Buildings and fences.....	do.	29	-14	-20	-25	-388	12
Machinery and equipment.....	do.	436	214	-209	-174	-484	-167
Gross expense.....	do.	6,847	7,477	7,093	7,622	9,656	10,255
Net ranch income.....	do.	7,252	7,540	11,936	9,838	8,237	5,081

Ranch production and price indexes (1957-59=100)

Net ranch production.....	---	99	118	104	102	116	98
Range condition.....	---	99	103	101	101	97	93
Prices received for products sold.....	---	116	101	104	95	102	95
Prices paid, including wages to hired labor..	---	98	98	109	110	110	111

1/ Preliminary.

Note: The information presented here is on owner-operator basis primarily for comparability between types of ranches. Net ranch income is the return to operator and unpaid members of the family for their labor and management on the ranch and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.

on these ranches was about 9 percent lower than a year earlier (table 1). This was the result of lower prices received for cattle, mostly feeder calves as practically all of the income comes from the cattle enterprise. In the fall of 1963, feeder calves in this area brought about \$24.60 per hundred-weight compared with \$27.50 in 1962. In addition range calves in the Intermountain area in 1963 averaged the lightest since the mid-1930's and were 6 percent lighter than a year earlier.

Range conditions in the first 9 months of 1963 were below those for the same period a year earlier. They improved in late summer of 1963 but too late to assist market weights for 1963. Net ranch production was about 2 percent below that for 1962.

Prices paid by Intermountain cattle ranchers for goods and services used in production continued edging upward in 1963 and averaged 1 point higher than in 1962, and 10 percent above the 1957-59 average. Most expenditures on these ranches, except for feed and grazing costs, are for non-farm produced items, and prices of nonfarm-produced items were slightly higher in 1963 compared with 1962 and earlier years.

Hay supplies were plentiful again on the irrigated farms in the valleys in 1963, and ranchers paid about \$4 per ton less than in 1962. However, ranch operators purchased considerably more hay in 1963 because of continued drought in the early part of the year. Grazing fees are based on prices received for cattle in the previous year and thus were higher per animal-unit-month in 1963 than in 1962. Livestock numbers on these ranches were also slightly higher in 1963.

Consequently total feed costs were about 55 percent higher than in 1962. Total cash expenditures averaged about 7 percent higher in 1963 than in 1962.

August and September rains definitely improved production conditions in the latter part of the year in the Intermountain area. In addition an early snow pack in the higher elevations became evident thus improving the outlook for 1964 production conditions. Therefore, despite some price uncertainties in the general beef cattle industry, these ranchers built their breeding herds to record high's in 1963. Total value of investment per ranch was not far from the \$100,000 mark with the biggest gain in livestock assets.

Southwest

Despite drought and a generally unfavorable year in 1963, cattle numbers continued to increase on Southwest cattle ranches. They have increased annually in recent years. Drought prevailed in most of the area despite favorable moisture conditions in August. Drought was most severe in the eastern and northern portions of the area and range conditions improved only in the Arizona portion of the study area (fig. 1). Range forage conditions improved slightly in the latter part of 1963. Because of poor range conditions in 1962 and early in 1963, calf crop percentages were lower, death losses were higher, and ranchers were forced to feed heavier in 1963 than in 1962. Very poor range conditions prior to market time caused disappointing market weights for livestock.

Cash receipts in 1963 were substantially lower than in 1962, and lower than the average for 1957-59.

Low calf prices discouraged many ranchers from selling calves, despite relatively poor feed conditions. Stocker and feeder prices at \$23.35 per hundredweight, in 1963, were down \$2.30 per hundredweight below a year earlier. Prices in 1962 were considered only moderately favorable.

Ranchers attempted to reduce cash expenditures wherever they could. They deferred making range improvements, reduced purchases of replacement livestock, curtailed buying machinery and vehicle replacements, and cut labor costs. However, substantially larger feed purchases offset most of this saving,

and cash expenditures were essentially the same in 1963 as in 1962.

Net ranch incomes on typical Southwestern cattle ranches averaged 38 percent lower than those in 1963. They declined from an average of \$8,237 per ranch in 1962 to \$5,081 in 1963. Returns per hour of operator and family labor were also substantially less in 1963 than in 1962. Land prices advanced to record high levels from 1962 to 1963 thus causing record high capital charges. Prices paid by these ranchers for items and services used in production in 1963 increased slightly whereas prices received for products sold declined significantly.

SHEEP RANCHES

Northern Plains

Northern Plains sheep producers, like cattle ranchers, experienced improved range condition in 1963. Cash receipts were much higher in 1963 than in 1962, as sheepmen obtained higher lamb crop percentages from larger breeding herds they had built up after the drought 2 years earlier. Wool prices, at 49 cents per pound grease-weight, were the best in several years and more sheep plus fleece weights that were only fractionally lower in 1963 than in 1962, combined to make 1963 a good income year for sheepmen in this area (table 2). Net ranch incomes on these ranches averaged nearly 25 percent higher in 1963 compared with a year earlier and were the highest since 1958.

With the favorable range conditions in this area in 1963, sheep ranchers shifted some of their cash expenditures from feeds to purchases of new machines, motor vehicles, and range improvements.

Operating sheep under fence has become more popular in the Northern Plains area, and many ranchers are constructing sheep-tight fences. Fence and building costs in both 1962 and 1963 were twice as high as they were in 1957-59.

Average net ranch incomes of \$12,961 were second highest recorded for Northern Plains sheep ranchers. (They were \$19,555 in 1951.)

Almost all of the indexes of production, income, costs and efficiency indicated improvement in 1963. The exceptions were the indexes of prices received and prices paid. Prices received in 1963 decreased about 2 percent from 1962 and prices paid increased about 6 percent. Range conditions were especially favorable--particularly during the critical spring lambing period. Net ranch production averaged 19 percent higher in 1963 compared with 1962.

Table 2.- Costs and Returns, Western Sheep Ranches, 1962 and 1963

Item	Unit	Northern Plains		Southwest	
		1962	1963 <u>1/</u>	1962	1963 <u>1/</u>
Land in ranch.....	Acre	6,638	6,700	13,510	13,520
Livestock on ranch:					
Sheep.....	Number	1,294	1,396	1,309	1,256
Ewes.....	do.	1,137	1,193	1,018	1,016
Lamb crop.....	Percent	87	89	77	77
Fleece weight.....	Pound	10.4	10.3	9.8	9.8
Total ranch capital, Jan. 1.....	Dollar	95,350	100,850	209,460	219,460
Land and buildings.....	do.	66,020	67,200	181,330	192,410
Livestock.....	do.	21,520	25,480	22,660	21,430
Machinery and equipment.....	do.	6,660	6,730	4,720	5,000
Crops.....	do.	1,150	1,440	750	620
Total cash receipts.....	do.	22,154	25,718	20,158	18,405
Crops.....	do.	571	828	0	0
Sheep and lambs.....	do.	11,675	14,397	8,875	7,817
Wool.....	do.	5,850	6,844	5,713	5,577
Wool payments.....	do.	2,013	2,206	1,859	1,633
Other livestock and livestock products.....	do.	1,745	1,143	3,401	3,178
Other, including Government payments.....	do.	300	300	310	200
Value of perquisites.....	do.	1,012	942	885	830
Inventory change:					
Livestock.....	do.	1,891	605	-368	-68
Crops.....	do.	425	-109	-155	235
Gross ranch income.....	do.	25,482	27,156	20,520	19,402

Total cash expenditures.....	Dollar	15,615	14,949	11,772	12,311
Feed and grazing fees.....	do.	3,984	2,950	1,888	2,902
Livestock purchased.....	do.	1,966	1,436	1,785	1,542
Other livestock expense.....	do.	268	293	417	454
Crop expense.....	do.	15	29	8	11
Machinery purchased.....	do.	1,657	1,678	1,244	1,003
Other machinery expense.....	do.	1,409	1,429	1,387	1,419
Ranch buildings and fences.....	do.	970	1,180	450	380
Labor hired.....	do.	3,039	3,499	2,552	2,503
Taxes.....	do.	1,237	1,262	1,209	1,287
Other.....	do.	1,070	1,193	832	810
Inventory adjustment:					
Buildings and fences.....	do.	-415	-571	1,142	1,151
Machinery and equipment.....	do.	-122	-183	-249	14
Gross expense.....	do.	15,078	14,195	12,665	13,476
Net ranch income.....	do.	10,404	12,961	7,855	5,926

Ranch production and price indexes (1957-59=100)

Net ranch production.....	---	103	123	102	95
Range condition.....	---	99	103	97	93
Prices received for products sold.....	---	97	95	92	93
Prices paid, including wages to hired labor.....	---	98	104	103	113

1/ Preliminary.

Note: The information presented here is on owner-operator basis primarily for comparability between types of ranches. Net ranch income is the return to operator and unpaid members of the family for their labor and management on the ranch and return to total capital. No allowance has been made for payment of rent, interest or mortgage.

Southwest

Sheep ranches in the Southwestern livestock region are concentrated in the eastern half of the area (fig. 1). Unfavorable weather conditions in this part of the region in 1963--coupled with lower lamb prices--adversely affected the lamb business. Lamb prices averaged 15.5 cents per pound and alfalfa hay \$35 per ton in 1963 compared with 16.1 cents for lambs and \$26 for hay in 1962. Wool prices advanced slightly in 1963.

Land prices continued upward in this area and helped to increase the average investment per ranch to a record high of \$219,460 in 1963 (table 2). This total investment per ranch again exceeded totals in other western ranching areas in 1963.

Cash receipts in 1963 were approximately 9 percent below those received in 1962 and about 6 percent below the average for 1957-59. They were about 19 percent below peak receipts reached in 1961. Although wool prices in 1963 were higher than in 1962, Southwestern ranchers had fewer sheep and sheared less wool in 1963. The average wool clip per animal sheared was about the same in 1962 and 1963, but total quantity of wool sold was about 5 percent less in 1963. Total receipts from

wool, including wool payments, totaled \$7,210 per ranch, or about 5 percent less than in 1962.

Feed costs were the major cost on Southwestern sheep ranches in 1963. Sheep ranchers, like cattle ranchers, attempted to hold costs down. Despite reduced outlays for livestock replacements and a few other items, significantly higher outlays for feed caused an increase in total cash expenditures. Total operating expenses were about 6 percent higher in 1963 than in 1962.

Net ranch income averaged \$5,926 per ranch. This was \$1,929 less than in 1962, and nearly \$4,200 less than the recent high of \$10,121 in 1961.

Most production indexes on these sheep ranches decreased from 1962 to 1963, and most of them were lower than the 1957-59 average. The price increase for wool offset a price decrease in lambs. The overall index of prices received by ranchers increased very little from 1962 to 1963. Prices paid by sheep ranchers for items used in production increased to a record high level in 1963, about 10 percent higher than in 1962. Most of this resulted from substantially higher prices paid for feed, but higher prices for machinery, taxes, and labor wage rates also contributed.

